

**FEDERAL REAL PROPERTY REFORM:
HOW CUTTING RED TAPE AND BETTER MANAGE-
MENT COULD ACHIEVE BILLIONS IN SAVINGS**

HEARING

BEFORE THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

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**FEDERAL REAL PROPERTY REFORM:
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SAVING**

TUESDAY, JUNE 16, 2015

U.S. SENATE,
COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 10:04 a.m., in room SD-342, Dirksen Senate Office Building, Hon. Ron Johnson, Chairman of the Committee, presiding.

Present: Senators Johnson, Portman, Lankford, Ayotte, Ernst, Carper, McCaskill, Heitkamp, and Peters.

OPENING STATEMENT OF CHAIRMAN JOHNSON

Chairman JOHNSON. This hearing will come to order.

I want to welcome our witnesses and thank them for the testimony they have prepared. Pretty interesting reading. I also want to ask unanimous consent, while my Ranking Member's back is turned, to enter my written statement into the record.¹

Let me just start extemporaneously talking about this problem, because this is a hearing that I have been looking forward to. I know our Ranking Member, even though he is not paying attention to me, has done an awful lot of work on this subject.

But, coming from the private sector, I look at the management of property, the ability to dispose of it in a cost-effective manner and one that is beneficial to government, this ought to be simple. This should not be this difficult. I know in my business in Oshkosh, Wisconsin, both as a stand-alone business and then part of a larger corporation, there was just a pretty streamlined process. When I was part of a large corporation, we had a budgeting process. Certainly if you wanted to do a capital expenditure or a capital disposal, you would propose that to management, people agree, and you get it done. You get some appraisals, you find out basically what the property is worth, and you sell it.

Even if you had another division that may have been able to use it, you kind of put them on notice, you sell the piece of property, maybe we could have used it, but, well, then they can buy another piece of property. This should not be this difficult.

¹ The prepared statement of Chairman Johnson appears in the Appendix on page 29.

But being briefed for this hearing, it seems like there are two basic problems. First of all, we do not have the information. 275,000 buildings are owned by the Federal Government, but we really do not have an idea what is the full value of that, how many are being fully utilized, how many are being underutilized. So you actually need information to solve a problem. There is the first problem.

And then with the best of intentions, I think Congress has probably created a number of hurdles, a lot of hoops that the agencies have to go through to dispose of any piece of property. Again, making sure that if there is a piece of property that could potentially be used for a homeless shelter or in some other area of government, well, that sets up a process that makes it extremely difficult and certainly lengthens out the process for disposing of property.

So, again, the purpose of this hearing, as I was talking to the witnesses beforehand, is let us make sure that we understand this problem. Let us admit we have it. And let us agree on some pretty simple solutions here in terms of let us get the information we need and let us cut through the red tape. Let us reduce those hoops. Let us make this a very streamlined process so we can manage property for the benefit of the American taxpayer.

So, again, I am looking forward to it. Let us come up with solutions here, and with that, I will turn it over to our Ranking Member, who really has worked pretty tirelessly on this issue, and hopefully we can succeed pretty quick.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. I am tired. [Laughter.]

But not tired of this issue. In fact, I am always motivated and excited about this issue. We are joined by our new colleague from Oklahoma. I worked with an old colleague from Oklahoma almost from the day he got here, oh, about 10 years ago or so. And we went up to Chicago, and we went to visit a post office building there that had not been used for years. And we were spending money for the utilities, we were spending money for security, we were spending money for maintenance, but not using it, and had not used it for a long time and probably were not going to use it for a while. So Tom Coburn and I literally started working on real property management coming out of that hearing, figuring out what we in the Congress could do and what the Executive Branch could do. We worked with the Bush Administration, and we have now worked with the Obama Administration for over 6 years.

Every now and then when we hold hearings in this Committee, Mr. Chairman and colleagues, I will say to the witnesses from the Federal Government agencies, I will say: "What can we do to help in a particular way to save money in what you are doing?" And one of the things they always say is, "Keep doing oversight." And we have done oversight out the wazoo with respect to real property management. We have had some very tough, difficult meetings in 513 Hart, in my office, over the years with the Office of Management and Budget (OMB), with the General Services Administration (GSA), with the Housing and Urban Development (HUD), with others, and trying to figure out what more they can be doing working together collaborating, and what we can do to help them.

We do not make their jobs easy. You have alluded to that. And one of the things we will be getting into today with Mr. Mader, Mr. Dong, and Mr. Wise is—these guys have heard me say this before—you can do it, we can help—just like at Home Depot. And part of what I want us to walk away from here is how can we help and what are we doing that is helpful today.

The other thing is I think some of the folks around this hearing, including the Chairman, have really good, practical world experience on these issues, and not on a scale or the magnitude of what we deal with here at the Federal Government, but actually it scales up pretty good, and I think that given the talent we have here on our staffs, the very good work that is going on among the agencies and the Administration, there are collaborative efforts. I am more encouraged on the real property, the use of real property than I have been in some time.

One of the things I will say is—and this will come out in the hearing—we use a budget process, as you all know, that if agencies lease space, it scores better than if they buy or build.

I will say that again. If agencies lease space, it scores better with the Congressional Budget Office (CBO) than if they buy or build. But in practical terms, over 30 years, we waste a lot of money. And then the phone rings and—

Chairman JOHNSON. Sorry.

Senator CARPER. That tells me my time has expired. [Laughter.]

But one of the things that I hope we will talk a little bit about is St. Elizabeths, the St. Elizabeths campus and the Department of Homeland Security (DHS). Every past Secretary of Homeland Security has said, “Do this, actually make this investment, and over time you will save not just hundreds of millions of dollars; you will save billions of dollars for taxpayers over 30 years.” And some of us will still be here 30 years from now—I look to my left, Heidi, and I do not know that I will be here.

At any rate, I think we are sort of reaching a good point here on this issue where some good stuff is happening. We teed it up, and I will close with this: I was talking with Mr. Mader earlier, colleagues, and he told me that one of his goals is a year or so from now he wants to meet with Gene Dodaro, who heads up the Government Accountability Office (GAO), and basically for Gene to say at the beginning of the next Congress, real property management is off the high-risk list. And it has been there forever, and that is a great goal to have. And you can do it, and we can help. We are going to have a good hearing.

Thank you.

Chairman JOHNSON. Thank you, Senator Carper. We have had a lot of hearings on some real problems, things that are so complex. My definition of a problem is something that does not have an easy solution. This should not be a problem because these are some pretty easy solutions. So, again, I am really looking forward to the testimony.

It is the tradition of this Committee to swear in witnesses, so if you will all rise and raise your right hand. Do you swear that the testimony you will give before this Committee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. MADER. I do.

Mr. DONG. I do.

Mr. WISE. I do.

Chairman JOHNSON. Thank you. Please be seated.

Our first witness is David Mader. Mr. Mader is the Controller at the Office of Management and Budget. Prior to his confirmation, Mr. Mader was senior vice president for strategy and organization at Booz Allen Hamilton. From 1971 to 2003, Mr. Mader held various positions at the Internal Revenue Service (IRS), including Acting Deputy Commissioner, Acting Deputy Commissioner for Modernization and the Chief Information Officer (CIO), Assistant Deputy Commissioner, and Chief for Management and Finance. Mr. Mader.

**TESTIMONY OF THE HONORABLE DAVID MADER,¹
CONTROLLER, OFFICE OF MANAGEMENT AND BUDGET**

Mr. MADER. Thank you, Chairman Johnson, Ranking Member Carper, and Members of the Committee, for the invitation today to testify and to update the Committee on the changes that the Administration is implementing to improve the government's real property management capability and the overall efficiency of the Federal real property portfolio.

I would like to update you on the status of the initiatives that I mentioned when I testified last July in front of the House Subcommittee on Government Operations regarding the Administration's effort to improve the management of the government's real property portfolio. Over the last 11 months, we have continued to implement actions that will improve and transform the way the Federal Government manages its real property portfolio.

Our plan includes four key components.

First, develop and implement a strategic framework that will guide agencies' management of their real property over the next 5 years.

Second, develop and implement governmentwide performance metrics to identify efficiency opportunities, and to assess the performance of individual agencies.

Third is to develop a new management tool within the current Federal Real Property Profile (FRPP) to enhance the utility of the data.

Fourth, modifications to existing statutes to increase the pace and the number of property disposals which will decrease the amount of resources expended on maintaining excess and underutilized properties.

The President's 2016 budget invests in our federally owned facilities to ensure that mission execution is optimized at the lowest possible cost, including \$2.4 billion over the 2015 enacted level in support of critical construction and renovation projects as well as opportunities for consolidation in the Federal Buildings inventory.

We have completed or made significant progress on three of the four components over the last 8 months. We issued the first time ever a National Real Property Strategy in March 2015 which builds on past actions and results to define the strategic framework agencies' will use to manage their portfolios. The framework will freeze

¹ The prepared statement of Mr. Mader appears in the Appendix on page 31.

the growth in the inventory, measure performance and identify opportunities to improve efficiency and data quality, and ultimately reduce the size of the inventory by prioritizing actions to consolidate, co-locate, and dispose of properties.

To implement this strategy, we have issued a new policy that provides a set of agency-specific performance metrics. The “Reduce the Footprint” policy, also issued in March 2015, requires agencies to implement a 5-year plan to reduce their real property portfolios. The prioritization of disposals of unneeded and inefficient properties by requiring agencies to set annual square foot disposal targets for all buildings is a real first.

It also requires agencies to issue office space design standards by March of next year, and this will be used on a forward-going basis to ensure that we continue to maintain the reduction in real property inventory.

The last component of our plan, potential modifications to existing statutes, could increase the pace and the number of properties disposed of through sale, demolition, and public benefit conveyance. These modifications could include some sales proceeds reinvested in additional disposals, expanded authority for GSA to support agencies’ work to prepare properties for the declaration of “excess,” and relief from some of the aspects of the public benefit conveyance process.

All of the components of our vision, except, of course, potential modifications to statute, will be implemented by the end of this fiscal year (FY) 2015. We believe these actions will significantly improve the management of real property and deliver efficiency gains over the next 5 years. The real property program has achieved results in 2014, and we will continue to build on this achievement. We reduced the baseline by 11.2 million square feet in 2014, and this result built on a 10.2 million square feet reduction in fiscal year 2013. So in 2 years, we reduced 21 million square feet of office and warehouse space.

It is important to note that in order for the government to reduce our footprint, we require funding to make the necessary reconfigurations and relocations that result in out-year cost avoidance. We have made progress; however, significant opportunities remain.

One significant challenge that the General Services Administration faces is with the Federal Building Fund. The GSA is leading the Federal effort to both invest in Federal facilities and consolidate space to reduce costs and to optimize efficiency, avoiding tens of millions of dollars in annual lease costs. Recent funding levels of the GSA and the other Federal landholding agencies have led to both facility deterioration as well as missed opportunities to consolidate and reduce operating costs. As I have previously stated in many meetings and testimony last year in the House, one must invest to save.

We look forward to working with the Committee on legislation that will enable us to make even greater progress improving the efficiency of the governmentwide portfolio and accelerating the pace of property disposals over the next 5 years.

Thank you for inviting me to testify today, and I look forward to answering your questions.

Chairman JOHNSON. Thank you, Mr. Mader.

Our next witness is Norman Dong. Mr. Dong is Commissioner of the Public Buildings Service under the General Services Administration. In this role, Commissioner Dong manages the management, design, construction, leasing, and disposal of government-owned and leased spaces nationwide. Prior to joining GSA, Commissioner was Acting Controller at the Office of Management and Budget where he coordinated governmentwide improvements in all areas of financial management. Mr. Dong.

TESTIMONY OF NORMAN DONG,¹ COMMISSIONER, PUBLIC BUILDINGS SERVICE, U.S. GENERAL SERVICES ADMINISTRATION

Mr. DONG. Good morning, Chairman Johnson, Ranking Member Carper, and Members of this Committee. Thank you for inviting me to this hearing.

Our mission at GSA is to deliver the best value in real estate, acquisition, and technology to the Federal Government. And within the Public Buildings Service, our goal is to support agency real property requirements, but in the most fiscally responsible way.

We recognize that dollars spent on real estate come at the expense of more mission-critical activities, and as agencies spend less on rent, they can devote more of their limited dollars to support mission requirements.

To do this, we are: consolidating space and improving space utilization; taking a more disciplined approach to leasing; disposing of unneeded assets; leveraging our exchange and outleasing authorities; and supporting OMB in the governmentwide effort not just to freeze but to reduce the Federal footprint.

On the issue of space utilization, we are working with Federal agencies to identify opportunities to co-locate, consolidate, and reduce the Federal real estate footprint. Since fiscal year 2014, Congress has provided \$70 million each year to support agency consolidation projects. Many of these projects reflect agencies moving out of expensive leases into federally owned space.

In Minneapolis, for example, we are partnering with HUD to move them out of leased space into the Federal building in that city. Through this process, HUD will reduce its footprint by over 9,000 square feet, which will save the government more than \$700,000 each year just in that one transaction.

Today we are executing dozens of projects that will reduce the Federal footprint by over 800,000 square feet and reduce annual leasing costs by about \$50 million. And given significant agency interest in this program, our budget request for fiscal year 2016 will help us further reduce our square footage and increase our annual cost savings.

As we maximize the use of federally owned space, we will always see a significant amount of leasing activity. So our job at GSA is to make sure that we are not just reducing the Federal footprint but we are also reducing the cost of that footprint. And by embracing greater competition in our leasing transactions, we can capitalize on favorable rates that we are still seeing in many markets.

¹ The prepared statement of Mr. Dong appears in the Appendix on page 35.

In order to get better leasing rates for the government, GSA is working with our Federal tenants to simplify their requirements and broaden delineated areas to increase competition; to extend lease terms to 10 years or longer wherever possible because longer terms usually mean lower rates; and to start the planning process at least 36 months before lease expiration to allow for competitive procurements and to avoid costly holdovers and extensions.

Whenever we are in holdover or extension, the government is paying about 20 percent more than it should, on average. In recent years, we have actually seen some progress to reduce the number of holdovers and extensions, and by the end of fiscal year 2014, we had 97 holdovers out of more than 8,700 leases, which was the lowest figure since 2007.

On the issue of underutilized property, we are improving our efforts to identify assets that we no longer need and to move these properties off our books. In fiscal year 2014, GSA disposed of 342 properties governmentwide, which was about a 61-percent increase from the prior year. And this year, we are on track to meet our goal of disposing of 3 million square feet of excess property.

We are seeing some great examples of how agencies are being more aggressive to move excess property off the Federal rolls.

In Seattle, for example, GSA recently worked with the Federal Reserve to sell their vacant building in that city. With more than eight bidders competing, we ultimately sold that building for \$16 million through an online auction. So while we are seeing some progress, we also recognize that we can and must do more to move excess properties off our books.

We are also leveraging our exchange and outleasing authorities to tap into the value of those assets that no longer serve a Federal purpose but still represent significant value to the private sector. In Southwest, D.C., GSA is leveraging the value of our regional office building and the Cotton Annex in the Federal Triangle Complex. Through this exchange project, GSA is seeking construction and development services to modernize the remainder of our headquarters facility and to further the DHS consolidation at St. Elizabeths.

Another example is our long-term lease of the Old Post Office Building to the Trump organization, which is transforming it into a luxury hotel. This private investment of \$200 million will preserve that historic building, serve the local community, and generate lease revenues for the government.

I would like to close by discussing how GSA is supporting the Administration's National Strategy for Real Estate. This summer, GSA will be working with OMB to review agency plans to reduce the footprint, and through this effort, we will build upon our work in fiscal year 2015 and develop a robust pipeline of potential projects for disposal, exchange, and outlease in the next fiscal year.

We have made significant progress in managing Federal real property, but I think we all recognize that there is much more work that must be done. I look forward to working with this Committee to improve the Federal Government's management of its real property.

Thank you for the opportunity to testify today, and I look forward to your questions.

Chairman JOHNSON. Thank you, Mr. Dong.

Our next witness is David Wise. With a name like that, I am expecting some pretty good testimony. Mr. Wise is the Director of Physical Infrastructure Issues at the Government Accountability Office, where he works on issues of Federal real property and surface transportation. Mr. Wise first worked at GAO from 1981 to 1989 and returned in 2007 after serving as a political adviser to a U.S. Army Civil Affairs Unit in Afghanistan, and with the State Department as a Foreign Service Officer and in the Office of Inspector General (OIG). Mr. Wise.

**TESTIMONY OF DAVE WISE,¹ DIRECTOR, PHYSICAL INFRA-
STRUCTURE ISSUES, U.S. GOVERNMENT ACCOUNTABILITY
OFFICE**

Mr. WISE. Chairman Johnson, Ranking Member Carper, and Members of the Committee, thank you for the opportunity to discuss our work on how the Federal Government's real property management practices could be improved. The government's real property holdings are vast and diverse, costing billions of dollars annually to support. The portfolio comprises hundreds of thousands of buildings, such as office buildings, storage warehouses, courthouses, hospitals, and laboratories—and a comparable number of permanent structures—such as roads, dams, and parking garages.

My statement today focuses on improvements and challenges in Federal real property management and executive and legislative steps that could help the government address these challenges.

Since GAO placed Federal real property management on the high-risk list in 2003, the government has given the issue high-level attention, including establishing the Federal Real Property Council (FRPC) and the Federal Real Property Profile, which is the government's real property database; implementing the 2011 Freeze the Footprint policy aimed at keeping Federal domestic office and warehouse inventory at a baseline level established using FRPP data; issuing this past March its 2015–20 National Strategy for the Efficient Use of Real Property; the strategy includes freezing growth in the inventory, measuring performance, and reducing growth through consolidation, collocation, and disposal.

Notwithstanding these positive steps, the government continues to face challenges in managing its real property portfolio, including maintaining more real property than it needs; relying on leasing when ownership would be more cost-effective in the long run; and making real property management decisions using unreliable data.

Retaining unneeded real property results in significant costs to the Federal Government. In July 2014, the Administration released the first-year results of the Freeze the Footprint policy, indicating that it reduced the Federal Government's office and warehouse space by about 10 million square feet between fiscal years 2012 and 2013, actually exceeding its goals.

However, we found that the data behind these results were somewhat unreliable, resulting in a potential overstatement of the progress made. For example, some properties credited as having

¹The prepared statement of Mr. Wise appears in the Appendix on page 41.

been disposed of by agencies were actually returned to GSA and remain part of the Federal footprint.

The government continues to rely heavily on leasing where ownership would be more cost-effective in the long run. In our February 2015 High-Risk update, we reported that the government has taken steps to consolidate high-value leases and smaller leases as they expire. However, we noted that GSA then lacked an action plan and transparent data to demonstrate progress in actually achieving the goal.

Consistent and accurate data are critical to effectively manage real property. Despite leadership commitment to improve FRPP, the government continues to face challenges with its accuracy and consistency. In 2012, we reported that FRPP data did not consistently describe excess and underutilized Federal real property accurately. While the government has taken some steps to improve FRPP, additional improvements are needed, including better accuracy of utilization, space reductions as reported by agencies, maintenance needs, and the tracking of structures.

Three key steps could assist the way forward: implementing the National Strategy, which I mentioned earlier; implementing key GAO recommendations; and considering legislation to assist the disposal process and mitigate competing stakeholder interests.

In recent years, we have made a number of recommendations to GSA that, if implemented, should improve real property management and reduce costs. Some priority recommendations include:

In June 2012, we recommended steps GSA could take to make the FRPP database a better decisionmaking tool. GSA agreed and is implementing measures aimed at improving its reliability and usefulness, and this effort is ongoing.

In July 2012, we recommended that GSA develop a 5-year capital plan to help ensure that long-term goals were fully considered when making decisions to fund capital projects. GSA also agreed but conveyed that the challenging budget environment in recent years has limited the agency's ability to develop such a plan.

In the September 2013 report, we recommended that GSA develop and use clear criteria to rank and prioritize potential long-term ownership solutions for current high-value leases. GSA also agreed and may be able to look to the newly issued Real Property Strategy as a potential tool for implementation.

In November 2014, we recommended that GSA develop a clear strategy to effectively manage the government's vast warehouse portfolio. GSA agreed and is developing appropriate guidance. We will continue to monitor the implementation of these and other real property recommendations.

Since 2011, there have been several real property reform bills introduced in the Congress. None has yet been enacted. One of the bill's, the Civilian Property Realignment Act (CPRA), provided a framework for disposing of and consolidating civilian real property. Another bill, the Federal Real Property Asset Management Reform Act, codified the FRPC and modified provisions for homeless assistance. In 2011, we testified that CPRA could improve real property management.

We also made some legislative suggestions to Congress as part of our September 2014 report on implementation of Title 5 of the

McKinney-Vento Homeless Assistance Act. We found that since its inception in 1987, the Homeless Assistance Program has transferred 122 properties out of the 40,000 screened to service providers. For various reasons, many screened properties were unsuitable. We suggest that Congress revisit the types of properties that must be screened. Recently, a submitted amendment to the fiscal year 2016 National Defense Authorization Act would exempt some excess, underutilized, or unutilized U.S. Army non-mobile real property from Title 5 that is evaluated as unsuitable for potential homeless in order to expedite the disposal process.

Chairman Johnson, Ranking Member Carper, and Members of the Committee, this completes my statement. I would be pleased to respond to any questions that you may have.

Chairman JOHNSON. Thank you, Mr. Wise.

Mr. Dong, I would like to start with you, just kind of some basic metrics. In your testimony, you said that GSA has 377 million square feet of property basically under your management. Is that all of civilian property outside the Defense Department (DOD)? Or do you have a figure in terms of what the government completely owns?

Mr. DONG. That is just a portion of the larger holdings within the Federal Government. I think it is probably about 10 percent of the total.

Chairman JOHNSON. So you are saying the number of square feet held by the Federal Government is over 3 billion square feet?

Mr. DONG. I think Mr. Mader would have the exact figure.

Chairman JOHNSON. Mr. Mader, do you have that?

Mr. MADER. Yes, Mr. Chairman, and this is civilian and defense. There is a total of 254,000 owned buildings; 21,000 leased buildings; and that is 2.5 billion square feet of space for owned buildings, and 295 million square feet for leased. So roughly, 2.7, almost 2.8 billion square feet of space.

And that is all facilities.

Chairman JOHNSON. So when you are talking about disposing of 21 million square feet versus 2,500 million square feet, we are talking about just an infinitesimal amount of disposals, correct?

Mr. MADER. We are talking about a small number, and I think we need to go back to Mr. Wise's testimony. What is included in that, for an example, let us say if you were in the Department of Interior, National Park Service (NPS), if you had a facility that was sitting in a national park that was no longer useful and was declared excess, that would be included in that inventory. Obviously, other than demolishing that structure, there is not any other use for it. So it includes—

Chairman JOHNSON. Again, but that structure is costing money in terms of maintenance and repair, which is part of the problem.

Mr. MADER. Absolutely, and that is why in the case of Interior they actually have an aggressive program.

Chairman JOHNSON. So out of the 2.5 billion square feet within this profile, or wherever the information would be captured, the Federal Real Property Profile or someplace else, in my mind there would probably be three categories that I would want to see. I do not know the way you categorize it, but, fully utilized properties,

underutilized properties, and then non-utilized or excess properties. Is that how we categorize these things?

Mr. MADER. Yes, Mr. Chairman, we actually put it in those three buckets. It is underutilized, unutilized, and then pure excess.

Chairman JOHNSON. Do you have the breakdown then of the 2.5 billion square feet, how much is fully utilized for that?

Mr. MADER. I have it by building, not by square foot.

Chairman JOHNSON. Well, I will take it by building. I would say by square foot it would probably be—

Mr. MADER. We can provide that to you later.

Chairman JOHNSON. OK, great.

What do you have in terms of buildings then?

Mr. MADER. So for buildings, we have 1,615 underutilized, 3,360 unutilized, and 4,465 pure excess, already declared excess.

Chairman JOHNSON. That does not total up to the amount here. You were saying you have 275,000 buildings in total.

Mr. MADER. Yes, sir.

Chairman JOHNSON. So I see 1,600—

Mr. MADER. Now, the other buildings, the delta is buildings that are being utilized. So we categorize underutilized.

Chairman JOHNSON. OK.

Mr. MADER. Underutilized would be we are not maximizing—

Chairman JOHNSON. That is 1,615.

Mr. MADER. Right. Unutilized, meaning it may be temporarily vacant and being held for future use by an agency; and then the third category, pure excess, there is no use.

Chairman JOHNSON. OK. I got you.

Mr. Mader, you are talking about, we need money to save money. There is a British and now Canadian concept of regulation: one in, one out. In business, certainly the way I would be looking at this is with all these—again, that is a lot of excess properties. That is close to 10,000 in some way, shape, or form, just quickly doing the math in my head. There is a lot of dollar value wrapped up in that, I would assume. Why wouldn't we utilize a goal, a discipline in the process of let us dispose of some, let us take those proceeds from that sale and utilize that for either further disposals or even for construction?

Mr. MADER. Mr. Chairman, if you go back to Mr. Wise's testimony, he talked about CPRA, which was recommended by the Administration several years ago and is actually in the President's 2016 budget, and basically one of the key components of that is to do just exactly what you just described, and that is, retain some of the proceeds from the sale of excess property and then use that then to prepare, as Mr. Dong testified, additional properties for disposal. So it sort of creates a revolving fund.

Chairman JOHNSON. Why not use it all rather than—in your testimony, you asked for \$2.4 billion in increased funding for disposals and property management?

Mr. MADER. Part of it is capacity. I think you get to the point where you can just handle so many properties in a year. And I also think that as the Administration proposed, we retain some for disposal, but the other remaining balance would go back into general receipts.

Chairman JOHNSON. Mr. Wise, tell me, describe to me the greatest impediment to disposal of property. What hoops, what hurdles do Federal employees and managers of these things have to go through just to get rid of a property? How long does it take to get rid of one?

Mr. WISE. Well, the length of time varies tremendously, but the major issues involved are, No. 1, I think as you alluded to in your opening statement, we really do not have a great handle on exactly what we have and how it is being used. The real property database is still a work in progress in terms of improving the FRPP. So that is No. 1. And I think that as a Federal manager in Washington or any other place, unless you have a really good handle on exactly what you have out there, its condition, and how it is being used, it is difficult to make the management decisions.

The other part of it is the disposal process, again, as you mentioned in your opening statement, is a complicated process given the current legislative environment. And that is an area where perhaps Congress can be of assistance, and I believe the new amendment that was proposed is moving in that direction, and as Dave suggested, the CPRA legislation also—when we testified several years ago, we mentioned that it looked like a step in the right direction in terms of being able to consolidate properties for kind of an up-or-down decision, which would serve to mitigate or limit, at least, some of the competing stakeholder interests that also serve as challenges in trying to dispose of Federal real property.

Chairman JOHNSON. Just briefly, not to create conflict between witnesses, do you basically confirm what Mr. Mader was talking about in terms of the underutilized, the unutilized, and the excess? Do you think those are pretty accurate numbers, or do you think that is questionable?

Mr. WISE. Well, we prefer not to really speak in numbers at the moment because we are not confident enough in the FRPP data to take a stance other than we do not think the figures or the data are reliable. So all the numbers that exist are really numbers that are provided by the Office of Management and Budget and other Federal agencies. But many of our reports have proven time and time again that there are issues with the data that undermine the aggregate compilations such as what real property is out there, its condition, and how it is being used.

Chairman JOHNSON. OK. Thank you. Senator Carper.

Senator CARPER. Thanks, Mr. Chairman.

Mr. Wise, earlier today David Mader said to me that one of his goals and one of OMB's goals is to roll into, I guess it would be, 2017 and the new GAO high-risk list is released, that among the items that would be missing would be real property management because we will have made sufficient progress for GAO to say, you have done good, there is still work to do, but we are going to pull them off the high-risk list.

You have talked a little bit about this, but just walk through with us—and for Mr. Mader and Mr. Dong, walk through with us some of the most important steps that OMB, the Administration at large, needs to take in order to make that happen, and at the same time some of the steps that we have to take to make that happen, please.

Mr. WISE. As you imply in your question, it is a multifaceted issue and a cooperative effort is needed to resolve these issues. We have talked regularly with Dave and his staff and with Norm and his staff that, there is considerable progress being made. There is clearly strong management commitment to trying to improve the situation, and the development of the National Strategy was an important step in that direction. We commend the agencies for moving in that direction.

I think we still have concerns about the data, and that is one of the things we will be looking at closely when we do the next high-risk update.

There is no question about it, there is strong commitment, and definitely it is a work that is being developed. And we have seen some demonstrations that it is beginning to look like the ship is moving in the right direction in terms of the data. But when we come back and do our next high-risk update, we will certainly test that and take a look and see how things play out when we examine the data again.

Senator CARPER. In the Navy, when we were doing the hard things, we would sometimes liken it to changing the course of an aircraft carrier. And having worked on this for almost a decade, this is a big carrier, but I think we are changing the course. And it is a cooperative endeavor.

Part of the work that needs to be done needs to be done by us, and you mentioned legislation. You mentioned an amendment that has been offered to the National Defense Authorization Act, and that is offered by Angus King of Maine and yours truly. I was kidding him, I said, "In listing the amendment, will it be Carper-King or could we maybe change it and have it King-Carper?" And he said—

Mr. WISE. That has a nice ring to it. [Laughter.]

Senator CARPER. He said, "If I were king, there are some things I would do legislatively that we have tried to do without a whole lot of success." And one of those is to revisit the McKinney-Vento legislation, the law that has been around—I knew both those guys. They are both deceased now, colleagues, good people. They had a commitment to the least of these in our society and wanted to make sure that we are looking for folks who are homeless and to try to make sure if there is surplus Federal property, as you know, that it would be made available to homeless groups.

You mentioned the number of properties that have been, I think, ceded or turned over to homeless groups, and for the last maybe 25 years, I think you said it is a little over 100. My recollection in the last year or two it is maybe one or two. And it is a program that is well intended, but in my own view, it has not worked.

One of the pieces of legislation that you talked about that had been offered in the last several years is one—I think Tom Coburn and I offered it, and it basically said rather than having a program that does not seem to be moving much surplus property to help homeless groups, why don't we have an approach that says let us allow that property to be sold and then take a certain percentage of that, the proceeds, and to use that to supplement what is appropriated?

I thought that was a pretty good idea, and the homeless groups said, in part, in response, "Well, if you do that, what the appropriators will do is they will"—let us say we had, like \$5 as an example, \$5 from all the proceeds of all these sales that could go to homeless groups. The homeless groups say, "Well, what the appropriators will do is reduce our appropriation for aid to homeless people by \$5 to offset it."

We have something we call "maintenance of effort" that we use in other programs, educational programs, when there is Federal money, we say to States, "You have to maintain effort." Maybe there is some kind of maintenance of effort approach here that we can use in this regard and do what Dr. Coburn and I and our staffs have been trying to do in this regard.

Talk to us about McKinney-Vento, anybody, about how we can take a program that is not working—it reminds me of the Toxic Substances Control Act. It has been around for 38 years. The idea is to have the Environmental Protection Agency (EPA) look at highly toxic substances in this country. In 38 years, they have done five of them. Out of thousands they have done five. It does not work. And McKinney-Vento, I just do not think it works. And I want to be humane. We have a moral obligation to the least of these, folks who do not have a place to live, but there has got to be a better way to do this.

Would you all talk about this for us a little bit? David, would you go first? Then we will hear from your colleagues there.

Mr. MADER. Senator Carper, one of the things I did a year ago when I started this job was looking at the real property situation, and one of the things that we started looking at was, how long this process actually takes. And we took a couple of case studies and sort of plotted them out on a timeline. I think the one that go through the process the quickest was maybe like 9 months. Some of them took like years. It is interesting. There are two departments that are involved in this. It is HUD and the Department of Health and Human Services (HHS), and since they are both, Executive Branch departments, actually I have been interacting with both of them to see if at least within the existing legislative framework, are there things that we can do administratively to speed up the process between those two departments?

But I think to the testimony from Mr. Wise, I mean, when you look at the results over 10 years, there is not a lot. And I have to think that there is a way of better categorizing the types of excess property so that only those that truly would be usable for the purpose intended by McKinney-Vento would actually go for that consideration and allow us to move those other properties quickly.

Senator CARPER. All right. Thank you.

Norm, very quickly, any comments? And then Mr. Wise. Just very briefly.

Mr. DONG. I think it is important to understand the original intent of McKinney-Vento, and we definitely support that objective. It is an important objective to determine whether we have any properties that have potential use for the homeless.

That having been said, when you actually look at the results that we have seen and less than 2 percent of those properties actually ending up for use by the homeless, it suggests that the process is

not very target-effective and that there is probably a better way of supporting this objective.

Senator CARPER. All right. Mr. Wise, very briefly.

Mr. WISE. I agree with Norm and David. Basically there is such a vast number of properties that are clearly unsuitable for the purposes of trying to provide housing for the homeless. Many buildings that are being screened, as your amendment gets at, are in closed military facilities and cannot be used for that purpose, or they are in VA campuses, the same thing, or they are in remote areas. But they all go through this process of screening, Federal Register notices, and so forth. Also, the HUD recordkeeping is cumbersome. It just is a really awkward and time-consuming process, and as we have discussed without a whole lot of payoff.

I think that some of the idea that you mentioned in the earlier legislation as well as the one that is in the current amendment might be steps to help mitigate some of these challenges in terms of coming up with a rational perspective, helping the homeless but yet not going through this incredible grind to try to get to a couple properties a year or however many it is.

Senator CARPER. All right. Thanks.

Mr. WISE. So I think it is definitely an effort where Congress can play a very positive and important role.

Senator CARPER. Good. Well, colleagues, Mr. Chairman, there is stuff we can do here, and we need to do it. We have tried it before, not been successful, and I am encouraged here to give it another shot and work together.

Thank you.

Chairman JOHNSON. I think one lesson learned is sometimes it is very difficult to achieve one goal. But when you start tacking on a second and third goal, it makes it all that much more complicated, and there are all kinds of unintended consequences. So, again, well intentioned, but it is the multiple goals that just complicate the process, and we need to simplify things. Senator Lankford.

OPENING STATEMENT OF SENATOR LANKFORD

Senator LANKFORD. Thank you, Mr. Chairman.

Senator Carper, I would just tell you that I would be willing to be able to join you in that journey and try to figure out a way that we can get this resolved. I know you have worked on this for a long time, as several Members of this Committee have. But this is one of the areas that we talk about perennially, that there are real solutions to it, it is just a matter of pushing over the goal line. So consider me fresh legs in the fourth quarter to come help join you in this process. Hopefully, it is the fourth quarter, finishing it out as well. [Laughter.]

It is not midway through the first, right.

Let me ask a couple questions here. Mr. Dong, let us talk about the Federal real property portfolio and what it is going to take to be able to get that data publicly available and how reliable that data really is at this point.

Mr. DONG. From my position at OMB, I saw some of the challenges that we had in the Federal real property portfolio, and I see it here today. Mr. Mader has talked about some of the additional

controls that we put in place to improve the data, but I think what is most critical is to actually analyze the data and to use that to be able to have conversations with the agencies in terms of what is underutilized and what is not utilized, and really force disposition. So really it is going beyond looking at the data to be able to analyze and act upon the data, and part of this process is some healthy transparency to be able to show exactly what is excess, what is underutilized—

Senator LANKFORD. Right. Task No. 1 is that we have data, and the second one is that we can actually analyze it. Where are we on that spectrum at this point of having the data and then being able to analyze it and determine whether it is usable?

Mr. MADER. Senator, we have been working closely with GSA on that, because, as you will recall, what was built years ago was pretty much a static database.

Senator LANKFORD. Right.

Mr. MADER. And what we are actually doing is moving now to actually up-to-date software over the course of the summer. So by the end of the summer, we are actually going to have not only an improved inventory but a management tool so, as Norm said, what agencies are going to be able to do is actually go in and take the data and do some analysis and say, what if this property, were going to age out or become excess or underutilized? What is that inventory then going to look like? What can I do with it?

So what we are expecting—and it is part of the core tenet of the real property plan—is we are expecting people to develop a 5-year, forward-looking plan that basically says year over year for 5 years, what am I going to do, first, to reduce my real property footprint? But second of all, those buildings that are either right out excess or underutilized that perhaps should move to excess or move other tenants into that, we are going to be able to identify, and we are going to be receiving every year that update. So this is a rolling 5-year plan.

So I think what we are going to cause to have happen is the kind of analysis that has not heretofore been done.

Senator LANKFORD. Is there an opportunity to be able to have the data out there and to have individuals who may be interested in a Federal property be able to bid on it, express an interest on it, that may be fully utilized at this point, but it may be in a part of town that has transitioned pretty rapidly, now it is a heavily commercial area, and suddenly what was an inexpensive Federal property 30 years ago now is a very high-rent property now, and private industries would say if the Federal Government would buy that, they would pay us enough that we could relocate, put in a newer facility and actually be able to make a profit off of it.

Mr. MADER. I would like to sort of defer to Norm because he actually, I think, has some good examples of just what you explained, Senator, and they are the responsible party for the actual disposal.

Mr. DONG. We always want to get feedback from the market in terms of properties that we have within the Federal Government that may not have a lot of utility to Federal agencies but still reflect significant value to the private sector. I will give you a great example, and that is the Volpe Research Center up in Cambridge, Massachusetts. It is 14 acres in Kendall Square, which is a boom-

ing development environment, and you walk on to that site and it is like time stood still, because we have a sprawling campus of aging Federal buildings, lot of surface parking. The market has said to us this property has significant development potential.

Through our exchange process, what we are doing is going to the development community saying: We do not need all 14 acres on this site; we will take a much smaller footprint here and exchange that land for construction services to build a new facility for the Department of Transportation (DOT) in that city.

Senator LANKFORD. And how long does that process take?

Mr. DONG. The process takes a few years. So what we do with the exchange process is to really reserve it for those properties that we think have the most significant development potential.

Senator LANKFORD. OK. Mr. Mader, let me ask you a question. Which agency is the best and most efficient as disposal of whether it is property, whether it is a building or structure or equipment or assets, that they have a streamlined process that protects the taxpayer and also actually moves property out of excess status?

Mr. MADER. I think, Senator, there are several. Let me start with the Department of Interior. Probably five—

Senator LANKFORD. Is that a specific area? Is that the Bureau of Land Management (BLM), for instance, and some of their—

Mr. MADER. I want to start with departmentwide. They started probably about 5 years ago dedicating a portion of their annual budget for the disposal of excess property, and as I mentioned in my earlier comment, if you have a facility that is now just not usable sitting in the middle of a national park, you really do not want to continue to spend O&M money on something that really ought to be demolished.

So they have build across Interior a very detailed plan, across their Bureaus where they look at excess property and make those decisions year over year.

In the Department of Agriculture and Forest Service, they are one of, I guess, about a dozen agencies that actually has the ability to retain some of the savings from the excess that they do.

The Coast Guard within Homeland Security also has limited ability to do retention on some of the proceeds.

So I think we have examples across the Federal Government of things that work. What we actually need to do now is sort of coalesce that and say if we sort of raise it up across the entire government, we can be much more effective, because we have seen these agencies demonstrate good progress.

Senator LANKFORD. If I could just mention a couple things, if I remember correctly, Interior, Ag, and Forest Service, they have the ability for the administrator of the agency to be able to identify a piece of property, work it through the system, do best value for the taxpayer, and do not seem to have as laborious of a process as going through all the different steps and everything that is there. They seem to have a more expedited process in this.

Mr. MADER. They are still going through all the steps, which adds time, but they have a much more disciplined management process in place, and what we are trying to do—and since I assumed this position, I meet monthly with the Real Property Council, which are the representatives, all of the land-holding agencies

across the Federal Government, including defense. And, one of the things that I certainly learned coming into this position at OMB, when you are trying to sort of move the entire government, I think to Senator Carper's point, it is like turning an aircraft carrier or, as I prefer, herding cats. But I do think that we have been successful and have buy-in now from across the Federal Government with regard to a single focus on real property, developing these plans, and actually achieving results, because without the results, why would we waste the time on a plan?

Senator LANKFORD. Thank you. I would recommend to this Committee, when we look at the legislation coming out of this, that we look at some of the other agencies and entities that are efficient in the process of disposal, gather some ideas so we are not having to reinvent the wheel. But I think some of the answers are already out there. We are just not doing a streamlined process for that.

With that, I thank you.

Chairman JOHNSON. Thank you, Senator Lankford. Senator Heitkamp.

OPENING STATEMENT OF SENATOR HEITKAMP

Senator HEITKAMP. Thank you, Mr. Chairman. And as you can see, this is an issue of management. This is not an issue of politics. It is not an issue of, "gotcha." We are just trying to figure this out.

I want to pick up where the Chairman left off, which it seems like we do not really know what we have, and what we do know you have categorized, but yet it does not seem like we have—let me just move over so I can see you, Mr. Mader. What we do know is that we do not know everything. Is that a fair statement?

Mr. MADER. I think, Senator, we have a better handle in—

Senator HEITKAMP. No, I am just saying—if I said today that the U.S. Government, OMB, or whatever, GSA, knows exactly where every piece of property, real property that the Federal Government owns, where it is and how it is being utilized, could you say yes to that?

Mr. MADER. To 100 percent accuracy, no, ma'am.

Senator HEITKAMP. And so the sense that I get is that without having a broad scan, it is very hard to kind of figure out where the low-hanging fruit is, where the opportunities are maybe to build a structure or build a plan for moving forward. And I think we have heard some great ideas just from this panel and from you all, great examples of where this can work. But it cannot be, catch as catch can. We have to have a structure, and we have to have agencies—and I am not here to blame anyone, but we have to have agencies that are committed to this goal.

It is interesting, Mr. Mader, that what you talked about were agencies that have an incentive to actually alienate the property and move it beyond. I want to just spend what time I have left talking about the ability to expand your workforce by engaging in public-private partnerships, whether it is with the local realtors, whether it is taking a look at who we could hire or what additional resources could be brought to bear by the public and by the local real estate market to solve these problems.

Have you thought about—what any corporation would do that did not have a workforce, what would they do? They would hire

real estate people, and they would put it on the market. They would do an evaluation. Why don't we do something like that so we could expand your opportunity and your workforce?

Mr. MADER. Senator, we could not agree with you more. Looking at how to partner with other individuals or organizations is something that we have done. I think actually Mr. Dong has some very good examples of how GSA has actually leveraged that successfully over the last couple years.

Senator HEITKAMP. So why aren't we doing it kind of broadly?

Mr. DONG. If you look at what we are doing within GSA, we rely heavily upon the broker community to help us with the disposition question as well as with our leasing transactions. So one of the properties that we are disposing of this year is the Metro West facility in Baltimore. We are leveraging broker resources to help us with the outreach and the marketing on that. So I think you are exactly right. We have all these resources at our disposal that we really need to embrace and tap into as we look at this question of disposition.

On the larger question of leasing, we rely heavily upon the brokers to help us with the different aspects of those transactions. Whether it is pre-award or post-award, we have a new leasing contract that we will be awarding sometime in early 2016 that actually reduces the administrative burden and makes it easier for the government to tap into that resources.

Senator HEITKAMP. Do you think it is fair to say that kind of the inability to do as-is transactions limits the ability to alienate property? This idea that things have to come up to code, I mean, throughout the environment, we see tons of dilapidated properties being sold at a much reduced price, but two good things happen: No. 1, they get improved; and, No. 2, they are added back to the local property tax rolls.

And so where within that category can we be a little more creative?

Mr. DONG. I think there are a number of different challenges that we have talked about in terms of the challenges that agencies face as they look to move properties off the books. I think what the largest one is is that whole notion of retention of proceeds where agencies have to incur costs, but they do not have the ability to recoup those cost, so there really has been no economic benefit for many agencies to move these properties off the books. So that is why I think having some limited retention of proceeds where agencies can recoup their costs will show dramatic results in terms of the activity that we see.

Senator HEITKAMP. And this might be just far-fetched and far afield, but as James and I have said, you have two new eyes on this issue very committed. But, there is a ton of folks who could do walk-throughs and actually evaluate. One of the concerns that I have is that if you are an agency head and you have an asset already, chances are you want to hang on to that asset, right? Especially if somebody else is paying the overhead.

And so what are we doing to actually investigate and inspect those facilities? I was thinking, well, you get a bunch of college kids in the summer who may be involved in business, and you could say, "Do a walk-through. Here is your ticket. Walk through,

tell us whether that space is actually being utilized the way the agency head or the way the division director is telling us it is being utilized." And I think that is another concern I have, that we are understating the underutilization of Federal property.

Mr. DONG. There is a point in our history where GSA actually used to do exactly that, and that function was established by Executive Order (EO). It really charged GSA with going into those Federal properties and kind of walking the floors and really kind of coming up with an independent assessment of how that facility was being used.

Looking at it a different way, coming back to the data in the Federal Real Property Portfolio and the agency Reduce the Footprint plans that will be submitted this summer, we see that as an opportunity to go through the list one by one of assets that have been labeled as underutilized or unutilized and really force more meaningful disposition on what our plan is for each of those assets.

Senator HEITKAMP. With my little remaining time, Senator Lankford has suggested taking a look at agencies. I also think it would be interesting to take a look at States, because States obviously also have real property. There may be a management structure that they have that actually may demonstrate or look at best practices, and so it would be interesting to get any feedback, maybe if I have a chance to ask additional questions, to get additional feedback on what State you think as a governmental entity is actually managing their real property in a way that is best practices.

Thank you, Mr. Chairman.

Chairman JOHNSON. Thank you, Senator Heitkamp.

I do not want to let this moment pass. Mr. Dong, you said the GSA used to do that. Why did they stop? What happened? Is somebody else doing it now instead?

Mr. DONG. There have been a series of Executive Orders over time that really speak to this issue, and the most recent Executive Order does not cover this whole function that we had described. But previous Executive Orders did, in fact, spell that out.

Chairman JOHNSON. So is there something preventing you from doing those walk-throughs, assessing the property? I mean, anybody can quickly answer this? Again, this is important because that is going to be the baseline for getting the information that we are going to need.

Mr. DONG. We see ourselves as supporting OMB on all things real property and really kind of being the operational extension of the Office of Management and Budget to support OMB's real property priorities. And we would very much want to partner with OMB to really make sure that we are leaning forward and we are being assertive on this question to make sure that if we have properties that are labeled as underutilized or unutilized, we are doing the proper due diligence to move them off the books.

Chairman JOHNSON. Again, you stopped walking through properties. Mr. Mader, is OMB doing it? Mr. Wise, do you know who is doing it? Or is it not being done?

Mr. MADER. I was not aware that we had actually stopped doing it.

Chairman JOHNSON. OK. Well, we have to start that again. It is now Senator Ayotte.

OPENING STATEMENT OF SENATOR AYOTTE

Senator AYOTTE. Thank you, Chairman.

Just to follow-up on the Chairman's question, as I understand it, Mr. Dong, you said there was an Executive Order that had prompted this sort of walking through the properties to do the sort of personal understanding and inventory and that the Executive Orders post that changed. Is that true?

Mr. DONG. Yes, the Executive Order—they changed over time in terms of what the focus was for this function, and the most—

Senator AYOTTE. So what is the focus now?

Mr. DONG. Things like the Federal Real Property Council and having that manage the government-wide program.

Senator AYOTTE. So if it was a reflection of an Executive Order, I mean, do you need legislation to say you should do this? Because we can do that in this Committee. It just strikes me as such a common-sense step that even if you did not have an Executive Order that this would be something that would be a valuable tool in terms of trying to tackle the properties that are underutilized and obviously saving money for the Federal Government. So I think that is what the Chairman was trying to get at. Do you need something from us, do you need something from the President, to undertake what you previously did that seemed to be a good tool?

Mr. MADER. Senator, I do not think we need legislation to do what the Executive Branch could do.

Senator AYOTTE. So will you commit to doing that for us?

Mr. MADER. I will commit that—when we get the plans in July, we are going to have the draft plans, and then I think we are going to be looking at an inventory now of potential disposals that heretofore we did not have. So, if this is something that will help us move that disposal process forward, we will consult with GSA and see if it makes sense to reinstitute that policy.

Senator AYOTTE. OK, great. So as I understand the testimony that we have received today, the goal for this year is a reduction of space by 3 million square feet. Is that right?

Mr. DONG. We have properties in our disposition pipeline that are about 3 million square feet. That is our goal to reduce for this fiscal year, and our goal is to expand upon that for next year.

Senator AYOTTE. Right. Because as I look at this, just thinking about the goal of 3 million square feet, I understand the portfolio is currently around 377 million square feet. Is that true?

Mr. DONG. That is the portfolio that GSA manages.

Senator AYOTTE. Yes. So that means that we are looking at this year a reduction of less than one percent. It is actually 0.007 percent. So I know this is an improvement over past years, but aren't we aiming too low?

Mr. DONG. I would say that the numbers are fairly modest, but I think everyone recognizes that we need to be far more aggressive in terms of looking at the assets in our portfolio, really asking that question of highest and best use, and whether it is through disposition or exchange or outlease, being far more aggressive in terms of taking those properties that do not have much use to the Federal Government and leveraging the value of that, working with the private sector.

Senator AYOTTE. What do you think has been the biggest barrier? Has it been a cultural barrier that, for example, people work in a certain building, so there is sort of a reticence to want to eliminate it? Or has it been us? What would you describe as the biggest barrier that we cannot move forward on better culling out what we really need versus things we hold that we do not need?

Mr. MADER. I think, Senator, some of it is cultural, some of it is, "I am used to commuting to this particular building, and now you are going to disrupt my commuting pattern." But I think when you—and I talk to heads of agencies, Deputy Secretaries, and they look at their mission needs, and they look at their overhead costs, and they say, "I actually need to reduce my overhead and redirect those dollars into my mission."

I am seeing over the last couple years much more interest on the part of executives in various agencies to take on this issue. OMB 2 years ago actually developed a set of benchmarks that we give to each of the departments now that basically says here is how many square feet you have, here is your rent, average rent per square foot, here is your average occupancy per square foot, and here is your O&M cost. And not only do we do it at the department level, but we also break it down by their bureaus so they are able to look—let us say within Commerce, they could look at their 13 bureaus and start asking a lot of hard questions among themselves, why does this particular bureau have this kind of cost structure and this one does not? Are their missions that far apart?

So I am seeing much more attention to this issue than I have ever seen before.

Senator AYOTTE. Could you help us understand, Mr. Mader, what agencies have—or perhaps Mr. Dong, depending on who is the most appropriate one to answer. But what agencies have the most excess property? And what agencies are really standing out as someone we can look to, an agency that is doing this well in terms of being aggressive on disposing property that it does not need?

Mr. DONG. We can provide you with additional information in terms of the volume of excess properties and those agencies that have the highest volumes. You asked the question about which agencies are doing well, and I wanted to come back to two examples. One is the Coast Guard. The other is the Forest Service. If we look at both of those agencies, they have some ability to retain the proceeds, which means that they are able to recoup the upfront costs of identifying excess properties and moving them off the rolls. And we think that is critical because there has to be some economic incentive for agencies to move these off the books, and what you are seeing is, with the Coast Guard and with the Forest Service, far more significant activity among those two agencies compared to other agencies in the Federal Government.

Senator AYOTTE. It makes sense. If they can invest in a new cutter based on property that they do not otherwise need, then that certainly provides an incentive to get to their core mission. And if we continue to do that and obviously take a portion of it and apply it to helping the fiscal state of the country overall, but then allow them to keep a portion of it, then it seems like a win-win on two fronts. And then we get the savings going forward as well, of course.

Mr. MADER. Senator, I think the other challenge besides sort of the cultural issue and the management attention actually is the resources that GSA, as Mr. Dong testify—in the current fiscal year, they had, I guess, \$70 million?

Mr. DONG. Consolidation, yes.

Mr. MADER. For consolidations. In the President's budget in 2016, we asked for \$200 million. So obviously we can do a lot more with \$200 million than we can do with \$70 million, and some of the conversations that are going on now in 2016 actually would make that 70 go to zero, which would, quite candidly, sort of grind the program to a halt.

Senator AYOTTE. I appreciate that, and also not to relitigate some of the issues that GSA has had, I think that certainly we want to make sure that you have the resources to do this, but that GSA is obviously maximizing the use of the resources it does have. So thank you all for being here.

Chairman JOHNSON. Thank you, Senator Ayotte.

Again, if we actually had the information in terms of how much property is available for disposal, what the value of that would be, then we can actually find out, if we dispose of it, that would be the amount of money coming in, and we could reallocate it that way. But, again, we do not have the information.

Also, Senator Ayotte, it is worse than what you were talking about. In earlier testimony you might have missed, there is about 2.5 billion square feet on Federal property. The 377 million is just with the GSA. So three divided by 2,500 million is, literally one-tenth of one percent is what we are disposing of. So it is a pretty modest—yes, it is a little bit, teeny-weeny. Senator Portman.

OPENING STATEMENT OF SENATOR PORTMAN

Senator PORTMAN. Thank you, Mr. Chairman. I appreciate you all being here today, and, David, is it good to see you. Thanks for your service when I was at OMB and your continued focus on this issue. I think you need help, as you know, and I think you need legislation. And I think it is appropriate you are here today talking about what you are doing. That is great. But I think you are constrained by not having the legislative tools that you need. So I guess I have just answered one of the questions I was going to ask you. I should back up.

First of all, we have heard today about the amount of excess property, and it is significant. There are different numbers out there, but taxpayers are amazed by the fact that the Federal Government, the biggest landowner in America, still has about 78,000 Federal properties that are considered to be vacant or underutilized, costing taxpayers about \$1.6 billion every year for maintenance. And, understandably, they want us to get at this.

And so I appreciate again what the Administration is trying to do within the constraints of the law, but I think there is a lot more that can be done. GAO's high-risk list includes real property management. I know GAO is here today, and I am sure, David Wise, that you have talked about this. But they focus on a few things: one, the continued excess/underutilized vacant properties, heavy reliance on leasing where ownership would be more cost-effective, and then the challenges in protecting facilities, unreliable real

property data, and the lengthy and costly disposal process for unneeded property.

I was a cosponsor of the legislation in 2012 on this and an original cosponsor in 2013 with Senator Carper, who has since left us here at the Committee, but I know he has a strong interest in this still. And what we tried to do in that legislation was, quite frankly, to provide for the kind of legislative help that you need.

GAO has said in its most recent look at the National Strategy we have talked about today, they wonder whether it gets at the core challenges of disposing of excess property, the local interests, such as the McKinney-Vento Act, historical and environmental challenges. That is what we tried to get at with our legislation, and so I do think that, as your National Strategy has said, "Targeted legislative relief for the current governmentwide disposal process could be developed and implemented to assess . . . benefits to real property management." Relief could include "allowing disposal agencies to recapture their disposal costs and some aspects of the public benefit conveyance process."

So these are the issues that I think need to be addressed with legislation. So if you are a Federal agency, you are told, "Focus on this disposal. And, by the way, you are going to get no benefit out of it. It is going to go to Treasury." And I think there is a disincentive there, and I think we need to restructure that, and we need to deal, again, with some of these barriers that GAO has identified and that you all have identified, David.

So I guess my question to you would be: Do you agree that we need Federal legislation here? And, specifically, what would be the three or four things that you would look to for Federal legislation to help you to accomplish what you are trying to do?

Mr. MADER. Senator, we would agree wholeheartedly, and certainly I think I speak for Mr. Dong. As you know, the Administration for the last several years has been proposing legislation, the Civilian Property Realignment Act, which would basically allow us to create a process that would sort of look at the entire government portfolio, identify those properties, regardless of Federal agency, put them together, put them for an up-or-down vote, dispose of them, take a portion of those dollars that we get from the disposal, and then plow them back in. And, I know there are other legislative proposals that have similar kinds of approaches, and I think—

Senator PORTMAN. Just for a second, David, our legislation had 80 percent, so it was 80 percent of net proceeds of property sales deposited in the Treasury for deficit reduction and not more than 18 percent allocated to the Federal agency. Is that about right?

Mr. MADER. I mean, I think, Senator, I think there is a limit to how much we can do in any given year. I think we have the responsibility to give some back to the general fund. Whether it is 80/20 or 70/30, I think we could sort of look at what makes sense year over year, because I do think at a point in time we just would be out of capacity to handle this kind of volume. But retain savings to plow back into a fund is critical. You mentioned streamlining the public conveyance process. That is important. We have talked about that earlier today in the hearing. It takes an inordinate amount of time, and when you look at the 10-year results, we have

not actually moved that many properties over to homeless use. So I think those two elements are critical to legislation going forward.

Senator PORTMAN. We do have a number of OMB changes in the legislation, as you know, including having OMB produce an annual scorecard tracking the progress of each agency in reaching its property savings targets. Do you think that is appropriate?

Mr. MADER. Oh, I do, absolutely. As I mentioned, we actually started last year an annual process. In fact, we are in the midst of the process this summer going out. We sit with the Deputy Director for Mortgage market, and others from OMB, sit with each of the Deputy Secretaries and review various both mission programs as well as support programs. Real property is always on the agenda with regard to how well they are doing in reducing the footprint, and now as we move to the new strategy, actually reducing the footprint.

Senator PORTMAN. Well, having an expedited process for disposal of the properties is certainly one of the goals of the legislation. So we have not reintroduced the bill, as you know, partly because we are waiting to see how the National Strategy unfolds. But we will be following up with some questions for the record to try to get you guys to give us your input. We would like to work with you. We would like to work with Senator Carper. Again, there were a few different approaches. The House passed an approach in 2012 that Senator Brown took up, and then Senator Carper and I had a different approach that did not have a Defense Base Closure and Realignment Commission (BRAC)-like system in place. But we are interested in moving forward given the new situation, and I think you have found, frankly, what your limits are without having legislative help. And we need to codify somewhat what is going on I think for the purposes of the future, but also to provide you better tools to be able to complete the mission that you have started to undertake. So thank you all for your testimony.

Thank you, Mr. Chairman.

Chairman JOHNSON. Thank you, Senator Portman.

There is no doubt about it, like Senator Heitkamp was saying. This is not a partisan issue. This is a management issue. And I think there are a number of things we can do. My suggestion always is take a step-by-step approach. Let us take the little elements. Maybe we cannot do some big comprehensive reform, but let us take a look at the very common-sense things we have to do. Let us start passing that. Let us try and get things passed through this Committee and reported out unanimously, and let us start making some improvements here.

So, again, I just want to thank all the witnesses for the time you took for your testimony. We will work very closely with you to provide those types of reforms, report out a piece of legislation that will actually work. And, with that, I think the hearing record will remain open for 15 days—

Senator CARPER. Mr. Chairman, are we done?

Chairman JOHNSON. Yes, I was going to close it out.

Senator CARPER. Can I have another round?

Chairman JOHNSON. Sure.

Senator CARPER. Thank you.

Chairman JOHNSON. We do have votes.

Senator CARPER. Thank you for letting me have a second round, Mr. Chairman.

The Chairman likes to talk sometimes in terms of like a 30-year horizon which I think is actually very helpful. We used to talk around here about one-year horizons, then 5, now 10. He talks about 30-year horizons. And one of the projects, real property projects that I think of in terms of a 30-year horizon is the St. Elizabeths campus for the Department of Homeland Security. Could one of you speak to that? I do not know if it would be Mr. Mader or Mr. Dong. Can one of you just speak to that, please, and tell us how that might make sense? I would say as a preface, I have talked, I think, to every previous Secretary of Homeland Security, and I came here not thinking St. E's made a whole lot of sense. I said, "Why would we do that?" Every one of them said to me, "No, it does make sense. And it makes dollars and cents, and here is why." But just talk to us about it along a horizon of 30 years. Why does it make sense?

Mr. DONG. Sure. If you look at where DHS is right now, they are in over 45 different leased locations scattered across the National Capital Region, and you can think about what we are paying in terms of annual lease payments.

As we have done the math and as we have put together an aggressive plan, we are seeing that we can save over \$4 billion over the next 30 years by moving out of all of those expensive leases into a single owned facility on the St. Elizabeths campus.

Senator CARPER. Explain how that happens. Four billion, that is a lot of money.

Mr. DONG. Yes, and, again, you think about the annual costs that we are spending in terms of leases in dozens and dozens of leases across the National Capital Region, and what we are seeing is that by investing the money up front to be able to build a consolidated facility for DHS at St. Elizabeths, we are going to be able to save a significant amount of money in terms of lease avoidance costs.

Senator CARPER. All right. Mr. Mader, do you want to add anything to that?

Mr. MADER. What is interesting we agree with what David Wise has testified. We do think that, we have too many facilities, leased facilities. We would like to consolidate, especially in major cities. But, again, and I do not want to sound like a broken record—we have a Federal Building Fund that was established, I do not know, 50 years ago for the purpose of building and maintaining, and yet, we do not seem able to leverage what we already have in an existing flexibility.

Senator CARPER. OK. In the budget resolution, we give the Appropriations Subcommittees direction and basically say this is how much money you are going to have to work with. There is an Appropriations Subcommittee in the Senate led by Senators Boozman and Coons, and I think it is Federal Financial Management—what is it? It includes GSA. There is a name to it, but I cannot remember it. I just remember the leadership. I met with Chairman Boozman, and he and Senator Coons, they have a tough job given the allocation that they have been given from the Budget Committee.

If, at the end of the day, there is some additional money that can be directed—and a final compromise on the budget, can be directed to that Subcommittee for investments, what are some areas that should be prioritized, please?

Mr. DONG. We would be happy to work with the Committee in terms of following up to identify those priorities, but I think it comes back to the larger point that you are making in terms of the importance of investing in our Federal buildings portfolio and recognizing that this overdependence on leasing that we have, because we are not investing in our Federal buildings portfolio, is costing us money.

Senator CARPER. OK. Mr. Mader, do you want to add anything to that?

Mr. MADER. No. I concur.

Senator CARPER. OK. The last thing I will ask is this—I asked this question earlier, and I want to ask it one more time for our takeaway. I think sometimes repetition is good. Tell us very directly what we need to do, what we on this Committee and we in the Congress need to do to actually turn the course of this aircraft carrier, turn this carrier more quickly.

Mr. MADER. I think it comes back to the legislative actions that we have talked about, whether it is public conveyance, McKinney-Vento, retained savings, maybe some kind of commission structure. I think that is key, and I also think you having hearings every year and holding us accountable for the results based on the actions and the legislation that you pass.

Senator CARPER. Mr. Dong. By the way, your name, I am intrigued by your name. Are you of Vietnamese descent?

Mr. DONG. No. Actually, I am half Chinese and half Danish.

Senator CARPER. Well, that is an interesting combination. OK. Same question—not the same one, not about your ancestry, but, again, just very directly: What do we need to do?

Mr. DONG. I think oversight is important in terms of holding the administration accountable for doing what we are saying we are planning to do. We have talked about some of the challenges and the obstacles that we face in the disposition process, and right now we are working hard and using a lot of brute force and elbow grease to move properties off the books. The whole notion of retention of proceeds, as I explained before, I think is critical. We are not asking agencies to make a windfall, but to at least allow them to recoup the costs of moving properties off the books.

Senator CARPER. OK. Thanks.

And, briefly, Mr. Wise, a closing word. What do we need to do?

Mr. WISE. I pretty much agree with what Dave and Norm said in the sense that there are certain actions the Administration can take, but there are some things outside their ability to control. And where the Congress can be helpful and be a positive influence is helping in the disposal process and the mitigation or the elimination possibly of the competing stakeholder interests that have a large influence on the disposal process. And that is where I think the legislation can really be a driving force to helping to expedite the disposal process and help rationalize the Federal portfolio.

Senator CARPER. A great note to end on.

Mr. Chairman, it was a good hearing, and we have, I think, a pretty clear path here, and let us see if we cannot proceed. Thank you.

Chairman JOHNSON. Well, thank you, Senator Carper. Again, I am certainly committed to working with you and the gentlemen here, our witnesses, to bring some reform to this issue.

Again, I want to thank the witnesses. The hearing record will remain open for 15 days, until July 1 at 5 p.m., for the submission of statements and questions for the record. This hearing is adjourned.

[Whereupon, at 11:28 a.m., the Committee was adjourned.]

A P P E N D I X

Opening Statement of Chairman Ron Johnson

“Federal Real Property Reform: How Cutting Red Tape and Better Management Could Achieve Billions in Savings”

June 16, 2015

Good morning and welcome.

The federal government's mismanagement of property that it owns and leases is an issue that Ranking Member Carper has been working to address for a long time. As chairman, I'm happy to partner with him on this important issue. Today's hearing will lay out the reality of the federal government's massive real property holdings, the bureaucracy that stands in the way of selling excess property, and the lost opportunities to save taxpayer dollars. I think we can agree that Congress and the administration need to act to stop wasting millions, if not billions, of taxpayer dollars on unused and unneeded federal properties.

The federal government owns and leases more than 275,000 buildings within the United States. These buildings cost \$21 billion a year to operate and maintain. A third of this cost, \$7 billion, is paid annually for leasing building space.

In preparation for this hearing, I asked my staff to provide me with the total value of the federal government's buildings. This is a common-sense calculation that the government officials should have at their fingertips. Unfortunately, that is not the case.

Reports from government watchdogs such as the Government Accountability Office have questioned the accuracy and reliability of real property data reported by agencies. This is yet another example of the federal government is trying to manage something that it cannot measure. It is simply impossible to address this problem if the federal government can hardly identify what it owns and what it is spending. It will be impossible to achieve true reform without better facts and figures to measure the value of what we have, what we can do without, and how much we can save by getting rid of superfluous buildings.

Today I want to talk briefly about a proposal that the administration has been supportive of for years. We have been working with our friends in the House on legislation that would cut through the miles of red tape and years of delay between when an agency decides it no longer needs a building and when the General Services Administration actually gets around to selling it.

One of my goals as chairman of this committee is to pass bipartisan bills that have a good chance of being signed into law and that can save taxpayers billions of dollars. By selling wasteful federal properties or otherwise getting rid of empty buildings that we're paying thousands of dollars a year to maintain, we can start to accomplish that goal. I look forward to working with Ranking Member Carper to move property reform legislation through the Senate.

I look forward to hearing from the witnesses today on how we got to this point, what is being done today to stop wasting taxpayer dollars on unneeded and unused properties, what can be done to manage and provide reliable data on real property, what more needs to be done to truly see results, and what Congress can do to make this reform a reality. Thank you for being here today.

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Statement of Ranking Member Thomas R. Carper

*"Federal Real Property Reform: How Cutting Red Tape and Better Management
Could Achieve Billions in Savings"*

June 16, 2015

As prepared for delivery:

Good morning. I want to thank Chairman Johnson for holding this important hearing today. I know that the Chairman and many of the new members of this Committee have shown great interest in finding ways to improve federal property management, a topic which has been a priority of this Committee for over a decade now.

My strong interest in this issue dates back to 2006 when Senator Tom Coburn and I went to Chicago to hold a hearing across from a massive, empty Postal Service building that the agency was spending millions to maintain and secure. We learned at our hearing that the Postal Service was unfortunately not alone when it came to wasting money on property it didn't need.

Property management has been on the Government Accountability Office (GAO) High Risk List for the last twelve years. GAO has found repeatedly during that time that the federal government lacks consistently reliable data to account for what it owns or leases.

Agencies often don't know the condition their assets are in or how the assets are being used. And all too often, as was the case with the Postal Service in Chicago, agencies are spending money to holding onto buildings and other property they just don't need. So, I've worked with Dr. Coburn and others over the years to find ways to find ways to get better results for less money in the way we manage federal property.

Unfortunately, legislative efforts to achieve this goal have always hit a roadblock. But our calling attention to this issue and providing ongoing oversight has ultimately paid dividends by encouraging some very good work by both the Bush and Obama Administrations.

Just this past spring, the President announced two new property management initiatives, the National Strategy for Real Property and the Reduce the Footprint initiative. The National Strategy requires agencies to freeze the growth in their inventory and take steps to reduce its size. Further, through the Reduce the Footprint initiative, agencies are now mandated to reduce, rather than freeze, their footprint starting in fiscal year 2016.

As Mr. Mader will note in his testimony, this effort has shown some success as agencies have reduced the size of their portfolios over the last two years, letting go of 21 million square feet of office and warehouse space. I look forward to learning more about these successes, as well as about what might be coming next.

I am eager to hear from our witnesses today as we work together to critically analyze what Congress and the Administration can do in the days ahead to find even smarter ways to approach federal real property reform in our never-ending drive to achieve better results for less money.

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**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET**
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**Testimony of David Mader
Controller, Office of Management and Budget
before the
Senate Committee on Homeland Security and
Governmental Affairs
June 16, 2015**

Thank you, Chairman Johnson, Ranking Member Carper, and Members of the Committee, for the invitation to testify and update the Committee on recent and ongoing initiatives to improve Federal real property management capability and the overall efficiency of the Federal real property portfolio.

Today, I would like to update you on the status of the initiatives that I outlined when I testified last July in front of the House Subcommittee on Government Operations regarding the Administration's efforts to improve the management of the Government's real property portfolio. Over the last eleven months, OMB has continued to implement actions that will dramatically improve and fundamentally transform the way the Federal Government manages its real property portfolio. Our vision for transforming real property management includes four core components. First, develop and implement a strategic framework guiding agencies' management of their real property portfolios over the next five years. Second, continue our work developing and implementing Government-wide performance metrics to identify efficiency opportunities at the agency level, and to assess the performance of individual agencies. Third, develop new management tools currently known as the Federal Real Property Profile (FRPP). These tools will enhance agencies' capability to analyze their portfolio data and identify opportunities to right-size and optimize their portfolios for effective mission delivery and cost efficiency. These new management tools will also enable agencies to improve the quality and usefulness of their FRPP data. And finally, fourth, and importantly, we believe limited modification to existing statutes can increase the pace and number of property disposals and decrease the amount of resources expended on maintaining excess and underutilized properties.

The President's FY 2016 Budget invests in our Federally-owned facilities to ensure that mission execution is optimized at the lowest possible cost, including \$2.4 billion over the FY 2015 enacted level in support of critical construction and renovation projects as well as opportunities for consolidation in the Federal Buildings inventory.

I'm happy to report that we have completed or made significant progress on three of the four components over the last eight months. For example, OMB issued the National Real Property Strategy (National Strategy) on March 25, 2015. The National Strategy builds on past actions and results to define the strategic framework agencies' will use to manage their portfolios for efficiency gains. The framework will *freeze* growth in the inventory, *measure* performance and identify opportunities to improve efficiency and data quality to support data driven decision-making, and ultimately *reduce* the size of the inventory by prioritizing actions to consolidate, co-locate, and dispose of properties. These three steps provide the context within which all agencies

will manage their real property. Over time, the framework will improve the utilization of Government owned buildings, lower the number of excess and underutilized properties, and improve the cost effectiveness and efficiency of the portfolio.

To implement the National Strategy, OMB issued new policy that provides a robust set of agency specific performance measures. The “Reduce the Footprint” (RTF) policy, issued on March 25, 2015, requires agencies to implement a five year planning process to reduce their real property portfolios. The RTF prioritizes the disposal of unneeded and inefficient properties by requiring agencies to set annual square foot disposal targets for all building types. The RTF reduction targets function as agency performance measures; when combined with the FY2014 benchmarking metrics developed under the President’s Management Agenda, the Government will be armed with accountable performance measures to drive portfolio-wide efficiency and property disposals. Also, the RTF promotes efficiency in the acquisition of owned and leased space by requiring agencies to issue an office space design standard by February 2016, and to use this standard to design all new office space for efficiency improvements. This requirement will enhance portfolio efficiency as properties are disposed and replaced.

The third action required to transform management of Federal real property is the development of new management tools within the FRPP and improvement of FRPP data quality. We have made significant progress in creating the real property management tools I discussed in my July testimony. OMB has worked with the General Service Administration (GSA) and the Federal Real Property Council to identify tools that support data driven decision-making. For example, the new tools will provide detailed data on properties’ annual cost, location, size, and lease expiration, among other data elements, in a structured format that fully supports the ability of agency management teams to identify efficiency opportunities and to implement data driven decision-making. When fully implemented in the fourth quarter of FY2015, the system will provide agencies with greater management capability and insight into the efficiency and cost opportunities their portfolios present over the next five years. The new system will leverage improvements to the GSA’s occupancy agreement (OA) database, which in FY2016 will fully identify succeeding OAs, expiring OAs, and other relevant data to enable agencies to track the size and location of their footprint more easily.

In developing all three of these actions we enjoyed open and fruitful discussion with the leadership and staff of the Government Accountability Office (GAO). We appreciate GAO’s continued dialogue and focus on real property and its willingness to collaborate as we strive to meet our mutual goal of removing the high risk designation from the Federal real property program. In fact in the most recent GAO High Risk report they acknowledge the increased activity and leadership by OMB in this area.

The last component of our vision – potential modification to existing statutes – could increase the pace and number of properties disposed through sale, demolition, and public benefit conveyance. These modifications could include, but are not limited to, agency retention of some sale proceeds for reinvestment in additional disposals, expanded authority for GSA to support agencies’ work to prepare properties for a declaration of “excess”, and relief from some aspects of the public benefit conveyance process. Such changes could provide an important boost to agencies’ disposal programs and achieve improved results for the taxpayer. We appreciate the opportunity to work with this Congress on legislative modifications that support increased

property disposal.

The first three components of our vision will be implemented by the end of FY2015. We believe these actions will significantly improve the management of real property and deliver efficiency gains over the next five years. The real property program has achieved results in FY2014, and we will continue to build upon this achievement. For example, Government-wide disposal of all domestic building types totaled 7,300 buildings and 47 million square feet of space in FY2014. These disposals reduced annual operation and maintenance costs by approximately \$17 million. We also reduced the Freeze the Footprint (FTF) baseline by 11.2 million square feet in FY2014 on an agency by agency basis. This results builds upon the 10.2 million FTF square feet reduction we achieved in FY2013. So in two years we eliminated 21 million square feet of office and warehouse space.

I need to be clear on the results that we have achieved under the Freeze the Footprint (FTF) policy during the last two years. The policy was designed to freeze the size of agency portfolios by setting a baseline with FY2012 data. We have been pleasantly surprised to see that many agencies reduced the size of their portfolios over the last two years rather than simply maintaining them at FY2012 levels. On an agency by agency basis, as opposed to a Government-wide basis, the total baseline has decreased from 730.1 million square feet in FY2012 to 708.7 million square feet at the end of FY2014. These are significant reductions and they reduce the amount of funds expended to maintain the portfolio.

The FTF policy has been a significant step forward for the Government's management capability. The policy required agencies to manage to set portfolio baselines, required disposals of existing property to support new acquisitions, and required agencies to freeze their real property footprint by 2015. Overall, the FTF policy has provided value to the Federal Government's management of real property. In my July testimony, I stated that we would estimate the cost reduction to the Government achieved through the freeze the footprint requirement. We have examined options for obtaining the cost reduction, including cost modeling, and have concluded the most robust and accurate method to obtain cost reduction is the collection of actual agency costs from individual projects. Beginning in FY 2016 and continuing in out-years, agencies will be required to report actual cost data based upon guidance developed by OMB and GSA in collaboration with the CFO Act agencies. It is important to note that real property projects require investment, and that cost reduction equals initial investment after a period of years. The GSA consolidation program, for example, requires cost reduction to equal initial investment no later than seven years after initial investment.

The real property program will also benefit from the fundamental changes we are making to the annual agency management reviews OMB performs. OMB senior staff annually conduct data-driven management reviews with agency leadership under the auspices of the Government Performance and Results Modernization Act of 2010, the PortfolioStat information technology review, and the benchmarking metric review initiated in FY2014 under the President's Management Agenda. These management reviews provide discussion to validate agency priorities, identify opportunities for performance improvement, and discuss agencies' strategies for improving their overall performance. Ultimately, these reviews provide a mechanism to bring together the key people, resources, and data analysis needed to drive progress.

We have built upon the successes of the annual management reviews by creating a comprehensive "FedStat" process to fully integrate the review of agency management processes and resource levels. This process will improve the operational efficiency and cost effectiveness of agency management functions by using data analysis to drive performance based decision-making and provides OMB and agencies a forum to conduct a comprehensive and structured annual discussion on the long-term strategic challenges that each agency confronts to more fully and effectively meet those challenges. This discussion provides value to all agencies' real property programs beginning now.

Our progress since last July represents meaningful improvement to the Government's real property management capability. We expect additional, and significant, improvement as the National Strategy, Reduce the Footprint policy, enhanced FRPP management capability, and the Strategic Review process are fully implemented over the course of FY 2015. With the acknowledgement that there is a significant amount of work ahead to improve real property management, we are confident our strategy will yield results for the taxpayer. I appreciate the attention this Committee dedicates to the improvement of Federal real property management, and I remain committed to achieving our mutual objective of a more effective and efficient real property program.

I must stress that in order for the Government to reduce its footprint, we require funding to make the necessary reconfigurations and relocations that will result in cost avoidance in future budget years. While we have made good progress, significant opportunities remain. One significant challenge has been the historically low levels of funding appropriated to the Federal Buildings Fund. The President's FY 2016 Budget restores GSA's authority to fully use incoming rent funds to construct new facilities such as the consolidated DHS HQ as well as maintain existing GSA Federal buildings that need major renovations and basic repairs and renovations. The GSA is leading the Federal effort to both invest in Federal facilities and consolidate space to reduce costs and optimize efficiency, saving tens of millions in annual lease costs. It is important to note, recent funding levels for GSA and other Federal landholding agencies have led to both facility deterioration as well as missed opportunities to consolidate and reduce operating costs.

We look forward to working with the Congress on legislation that will enable us to make even greater progress improving the efficiency of the Government-wide portfolio and accelerating the pace of property disposals over the next few years.

Thank you for the opportunity to testify today on this important topic. I look forward to answering your questions.

STATEMENT OF

**MR. NORMAN DONG
COMMISSIONER, PUBLIC BUILDINGS SERVICE
U.S. GENERAL SERVICES ADMINISTRATION**

**BEFORE THE U.S. SENATE COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS**

June 16, 2016

Good morning Chairman Johnson, Ranking Member Carper, and members of the Committee. My name is Norman Dong, and I am the Commissioner of the U.S. General Services Administration's (GSA) Public Buildings Service. Thank you for inviting me to this hearing on federal real property reform.

GSA's mission is to deliver the best value in real estate, acquisition, and technology services to government and the American people. To meet this mission, GSA is working with Federal agencies to improve space utilization, reduce real estate costs, and deliver space that allows our partner Federal agencies to better achieve their missions. Additionally, we are working with the Office of Management and Budget (OMB) and the Federal Real Property Council (FRPC) to improve the Federal government's inventory system of real property, and disposing of unneeded assets and identifying opportunities to better use underperforming properties.

GSA manages one of the largest and most diversified public real estate organizations in the world. Its portfolio consists of 376.9 million rentable square feet (RSF) in 8,721 active assets across the United States, in all 50 states, six U.S. territories, and the District of Columbia (DC). By RSF, the owned inventory constitutes 49 percent of the portfolio and the leased inventory is 51 percent of the total.

The goal of GSA's real estate strategy is meeting the real property requirements of our Federal tenants at the lowest cost to the taxpayer. By analyzing long-term Federal requirements and local market dynamics across the country, we are identifying Federally-owned buildings for long-term investment, as well as buildings that may have a higher and better use outside of the Federal government through disposal, exchange, or outlease.

The bottom line is we are working to spend less on real estate so the government can devote more of the limited dollars on mission critical activities to serve the American people.

To accomplish this goal, GSA is focusing on five key priorities:

- First, GSA is working closely with Federal agencies to consolidate space and reduce the square footage per employee.
- Second, GSA is reforming our approach to leasing to save time and money.
- Third, GSA is aggressively disposing of unneeded assets.
- Fourth, GSA is leveraging exchange and out-leasing authorities to harness the value of our federal assets.
- Finally, GSA is supporting OMB in implementation of the Administration's National Strategy for the Efficient Use of Real Property to improve government-wide federal property management.

Partnering with Federal Agencies to Reduce the Federal Footprint and Save Taxpayer Money

At GSA, we recognize that excess spending on real property comes at the expense of more mission critical activities. To help federal agencies identify opportunities to save money through consolidation and space reduction, GSA actively engages with agencies through upfront planning; modernization of workspaces; innovative solutions for fit-out, technology, and mobility; and rightsizing their portfolios. Beyond saving money, these space-saving solutions also advance agency mission by creating more efficient workspaces that encourage collaboration and increase productivity.

These efforts have paid off with a number of successes that have helped reduce the government's long-term real estate costs.

In Fiscal Year 2014, Congress provided \$70 million for GSA consolidation projects. Using these funds, GSA is executing 20 projects in 10 states across the country that will reduce the Federal footprint by 571,000 square feet and reduce the government's leasing costs by \$40 million annually. Congress again provided \$70 million for consolidation projects in FY2015, and GSA is currently pursuing eight projects with a total investment of \$38 million that will allow the government to avoid \$8.7 million in future annual leasing costs and reduce the Federal footprint by 247,899 square feet. We anticipate identifying additional projects in the coming weeks which will reduce future annual lease payments and square footage. In Fiscal Year 2016, the Administration is requesting an increase to \$200 million for consolidation

projects, based on the positive return on investment these projects have generated in FY2014 and FY2015.

An example demonstrates how effective these projects have been. In Minneapolis, GSA partnered with the Department of Housing and Urban Development to reconfigure the Minneapolis Federal Building. With an investment of \$1.7 million, HUD was able to move out of leased space, saving the Federal government \$700,000 in annual lease costs and reducing the footprint by over 9,000 square feet.

Reforming our Approach to Leasing

GSA is currently focused on reforming our leasing program to reduce costs by improving long-range planning, maximizing competition, and increasing utilization. While we are reducing our reliance on leasing, the fact is that a sound property management strategy necessarily involves leasing: sometimes it is more cost effective to lease than to own, and some short term leases may be required as we consolidate and co-locate agencies in reduced space arrangements.

While there has been a significant focus on reducing the footprint, the cost of that footprint is just as important. To get the best deal for federal agencies and the American taxpayer, GSA is:

- Broadening the delineated area for leases in order to increase competition in our lease procurements;
- Extending lease terms to 10 years or longer, whenever feasible, because longer terms typically mean lower annual costs;
- Simplifying space requirements to allow for greater competition and more favorable rates; and
- Beginning the lease acquisition process at least 36 months before the expiration date to ensure a fully competitive procurement while avoiding costly holdovers and extensions.

Reducing holdovers and extensions is a particular focus in GSA's reform efforts. History shows that we pay a premium – as much as 20 percent – when we go into a holdover or extension due to the lack of market competition in these arrangements. To avoid this, we are working with our partner agencies on better long-range planning. Our goal is to develop requirements 36 months prior to lease expiration, and to issue lease advertisements 18 months prior to expiration. In implementing this long-range planning, we are starting to see results. By the end of FY2014, we had only 97 leases in holdover out of a total of more than 8,700 leases. This represents the lowest year-end figure since 2007.

And, just as with managing space in our owned assets, we also work with our federal partners to maximize utilization of leased space including through new workspace arrangements and mobile work strategies.

Disposal of Unneeded Assets

GSA aggressively disposes of our unneeded assets and provides assistance to other Federal agencies to more effectively utilize their properties, including through the identification and disposal of vacant and excess properties.

GSA disposes of its own unneeded properties, and also assists other federal agencies in disposing of their excess and underutilized properties. Partnering with other federal agencies, in FY2014, GSA worked to dispose of 342 properties government wide, generating \$42.7 million in proceeds. The bulk of the disposals were executed through public sales (280 disposals). Other property disposals involved negotiated sales (13), public benefit conveyances (44), and federal transfers (5). And in FY2015, GSA is on track to achieve its performance goal of reducing the federal inventory by three million rentable square feet. A recent example of a disposal in Seattle demonstrates how GSA can help unlock the value of a property that was previously a liability. In February of this year, the Federal Reserve Building in Seattle sold for \$16 million at online auction with eight bidders competing. The building, constructed in 1950, was transferred to GSA in 2012. After analyzing options to retrofit the building, GSA concluded to sell the building and negotiated a sale that protects the historic integrity of the asset while still allowing for the developer to renovate the facility.

GSA also can accomplish successful property disposals in recovering markets such as Romulus, Michigan. A 137,600 square foot industrial distribution building formerly utilized as a U.S. Post Office Priority Mail Center stood vacant on a 10-acre site. Built in 1978, this eyesore was costing taxpayer money in maintenance and was a liability to the community. Last year, the property sold in an auction with a sales price of \$3,100,000. Hopefully the new owner can restore the property and allow it to better serve the community.

Leveraging GSA's Exchange and Outlease Authority

GSA is leveraging our disposal and exchange authorities to harness the value of our federal assets. Some of the government's properties, in particular those that are older, may no longer effectively serve a federal need and can have significant upkeep and maintenance costs. At the same time, many of these facilities are valuable for other uses, especially when they are located in prime real estate locations.

For example, the Volpe Transportation Center in Cambridge, Massachusetts is located on 14 acres in a vibrant high-technology hub of the city. The six buildings on the property were constructed nearly 50 years ago and no longer adequately serve the mission of this facility.

Last year, GSA issued a Request for Information seeking creative ideas to transform this property in exchange for construction services for building a state of the art research technology facility. The response to the RFI was robust and GSA believes the interest in the site will fuel healthy competition in proposals for the site. The ultimate result of this exchange is expected to provide better space for government transportation research, as well as economic development opportunities and tax revenues for the local community.

In Southwest DC, GSA is leveraging the value of several buildings to fund new, highly efficient space for the agencies currently housed at those locations. Similar to the Volpe site, GSA is seeking developers who can provide construction and development services in exchange for GSA's Regional Office Building and the Cotton Annex. These services would be used to help consolidate about 1,500 regional GSA staff into the GSA headquarters office and renovate up to three historic buildings at the St. Elizabeths campus in Southeast Washington for the Department of Homeland Security.

Another example of GSA's innovative approach is the long-term lease of the Old Post Office Building in Washington, DC to the Trump Organization, which is transforming this high-value property into a luxury hotel that, once opened, will generate a positive cash flow for the government. The Trump organization is investing \$200 million in private sector capital into this 114-year old building, which will serve the local community, preserve the historic facility, and generate lease revenues.

Supporting Implementation of the Administration's National Strategy for the Efficient Use of Real Property

GSA supports the Administration's National Strategy for the Efficient Use of Real Property to reduce the size of the federal real estate inventory. This summer, GSA will be working with OMB to review the agency Reduce the Footprint plans. Through this effort, we will identify additional opportunities for colocation, consolidation, and reduction of space. This also will include the development of a government-wide pipeline of potential properties for disposition, exchange or outlease to meet the objectives of this policy.

In addition, GSA is creating and implementing enhanced analytical tools to help agencies identify the best opportunities for disposal, consolidation, and colocation. In addition, GSA has improved data quality and user experience in the Federal Real Property Profile, by has revising several data definitions and automating validation and verification tools. In FY2015, GSA will make additional improvements that will enable agencies to better prioritize actions to consolidate, co-locate and dispose of federal properties. The bottom line is that having the right data and management tools is essential to making good decisions.

Conclusion

In closing, I look forward to working with the Members and staff of this committee to improve the Federal government's management of its real property. In particular, I welcome the opportunity to work with you and offer GSA's support as the Committee works through any potential legislative efforts. We believe there are a number of opportunities to improve asset management across government, including through streamlining the disposal process, authorizing the retention of some sale proceeds, and supporting the investment of rent collections for capital improvements.

I thank the committee for the opportunity to testify today and look forward to answering your questions.



United States Government Accountability Office

Testimony
Committee on Homeland Security
and Governmental Affairs,
U.S. Senate

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FEDERAL REAL PROPERTY

Current Efforts, GAO Recommendations, and Proposed Legislation Could Address Challenges

Statement of Dave Wise,
Director, Physical Infrastructure Issues

GAO Highlights

Highlights of GAO-15-685T, a testimony before the Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

The federal government's real property holdings are vast and diverse, costing billions of dollars annually to operate and maintain. GAO added federal real property management to its High-Risk List in 2003 because the government retained more property than it needed, relied on leasing in cases where ownership would cost less, and lacked reliable real property data to support decision making. Since then, the government has given high-level attention to the issue, including establishing FRPP to track federal buildings and structures governmentwide. Despite these efforts, federal agencies continue to face challenges in managing federal real property. This statement focuses on (1) improvements and challenges in federal real property management; and (2) executive and legislative steps that could help address challenges.

This statement draws from previous GAO reports issued between June 2012 and February 2015 and recent interviews with OMB and GSA officials.

View GAO-15-685T. For more information, contact Dave Wise at (202) 512-2834 or wise@gao.gov.

June 2015

FEDERAL REAL PROPERTY

Current Efforts, GAO Recommendations, and Proposed Legislation Could Address Challenges

What GAO Found

In recent years, the federal government has taken steps to improve the management of its real property and current efforts show promise. However, the issue is still on GAO's High-Risk List because the underlying challenges remain. Recent reform efforts include two from the Office of Management and Budget (OMB):

- The 2012 "Freeze the Footprint" policy, which instructed agencies to keep the total square footage of their domestic office and warehouse inventory at a baseline level established using the Federal Real Property Profile (FRPP), a database that the General Services Administration (GSA) developed to manage executive branch agencies' real property data.
- The 2015 "National Strategy for the Efficient Use of Real Property" and a similarly named "Reduce the Footprint" policy. In this effort, OMB introduced a new policy framework intended to measure performance to support more efficient use and to reduce the portfolio through asset consolidation, co-location, and disposal.

Despite these recent strides, the federal government continues to retain excess and underutilized property, rely on leasing when ownership would be more cost effective, and utilize unreliable data for its property-related decision making.

GAO has made several prior recommendations related to real property management that, if implemented, could help address some of these challenges. Specifically, in recent years, GAO recommendations to GSA and OMB have included:

- taking specific steps to improve the reliability and usefulness of FRPP as a decision-making tool;
- articulating a clear strategy for its role in promoting effective and efficient practices in federal warehouse management throughout the government; and
- developing a 5-year capital plan to more fully consider and document agencies' investment choices.

In addition, several reform bills that have been introduced in recent years also could help to address certain issues. However, none have yet been enacted. For example, the Civilian Property Realignment Act (CPRA) could improve real property management by establishing an independent commission to streamline the disposal process and grouping all disposal and consolidation recommendations into one proposal for Congress to consider in its entirety. Legislative reforms could also apply to the McKinney-Vento Homeless Assistance Act, as amended, which introduced a process through which excess federal property is screened for potential transfer for use by homeless services providers. In 2014, GAO found that very few properties had been transferred to homeless service providers since the inception of the homelessness-assistance program created as a result of the Act and that many of the properties were not practical for homeless service providers to use. As a result, GAO suggested that Congress consider revisiting the property screening requirements under the Act.

Related GAO Reports

Chairman Johnson, Ranking Member Carper, and Members of the Committee:

Thank you for the opportunity to discuss our work on how the federal government's real property management practices could be improved. The federal government's real property holdings are vast and diverse, costing billions of dollars annually to operate and maintain. The portfolio comprises hundreds of thousands of buildings—such as office buildings, storage warehouses, courthouses, hospitals, and laboratories—and a comparable number of permanent structures—such as roads, dams, and parking garages—across the country. In 2003, we added "Federal Real Property Management" to our biennial high-risk list because the federal government retained more property than it needed, relied on leasing in cases where ownership would be more cost effective in the long run, and lacked reliable real property data to support decision making.¹ In 2004, the President issued Executive Order 13327 establishing the Federal Real Property Council (FRPC) and requiring the General Services Administration (GSA) to consult with the FRPC to establish and maintain a single, comprehensive real property database.² This database was intended to describe the nature, use, and extent of all real property under the custody and control of executive branch agencies in order to promote the efficient and economical use of the nation's real property assets and assure management accountability for implementing reforms. The FRPC created the Federal Real Property Profile (FRPP) to meet this requirement and began collecting data in 2005.

Despite the implementation of the executive order and various reform efforts and proposals, agencies continue to face challenges managing real property. For this hearing, you asked us to discuss why federal real property management is on GAO's high-risk list and potential executive and legislative actions that could address longstanding challenges. My

¹GAO, *High-Risk Series: An Update*, GAO-03-119 (Washington, D.C.: January 2003).

²Federal Real Property Asset Management, Exec. Order No. 13327, 69 Fed. Reg. 5897 (Feb. 6, 2004). The executive order applies to executive branch agencies listed at 31 U.S.C. §901(b); the Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Homeland Security, Housing and Urban Development, the Interior, Justice, Labor, State, Transportation, the Treasury, and Veterans Affairs; the Environmental Protection Agency; the National Aeronautics and Space Administration; the U.S. Agency for International Development; GSA; the National Science Foundation; the Nuclear Regulatory Commission; the Office of Personnel Management; the Small Business Administration; and the Social Security Administration.

Related GAO Reports

testimony today focuses on (1) improvements and challenges in federal real property management; and (2) executive and legislative steps that could help the government address these challenges. My remarks today are primarily based on prior GAO reports and testimonies issued between June 2012 and February 2015, including the 2015 update to our High-Risk Series and recent interviews with Office of Management and Budget (OMB) and GSA staff to obtain updated information on federal efforts to improve real property management and address existing GAO recommendations. More detailed information about the scope and methodology of our prior work can be found in the reports listed at the end of this statement. We conducted the work this testimony is based on in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Federal Government Has Taken Steps to Improve Real Property Management but the Issue Remains on GAO's High-Risk List

Since federal real property management was placed on GAO's High-Risk List in 2003, the government has given the issue high-level attention. In 2012, OMB introduced the "Freeze the Footprint" policy, instructing agencies to not increase the total square footage of their domestic office and warehouse inventory compared to their FRPP baseline for fiscal year 2012.

In 2015, OMB issued its "National Strategy for the Efficient Use of Real Property" and its "Reduce the Footprint" policy. The Reduce the Footprint policy requires agencies to (1) set annual square foot reduction targets for domestic federal buildings; and (2) adopt space design standards to optimize federal domestic office space usage. The National Strategy states that its policy framework is to (1) freeze growth in the real property portfolio; (2) measure performance to support more efficient use; and (3) reduce the size of the portfolio through asset consolidation, co-location, and disposal. The Reduce the Footprint policy requires that agencies submit their final plan to OMB by September 2015. Each agency's plan is to include descriptions of the internal controls to be used to comply with the policy, use of performance benchmarks and reduction targets for office and warehouse space, and documentation of cost reductions generated.

Related GAO Reports

	<p>While these positive steps have potential, the federal government continues to face three primary challenges in managing its real property portfolio, including: (1) maintaining more real property than it needs; (2) relying on leasing when ownership would be more cost efficient; and (3) making real property management decisions using unreliable data.</p>
Excess and underutilized property	<p>Retaining unneeded real property results in significant costs to the federal government. The previous and current administrations have sought to reduce its excess and underutilized properties. In July 2014, the Administration released the first year results of the Freeze the Footprint policy, indicating that it exceeded its expectations for reducing the federal government's office and warehouse space between fiscal years 2012 and 2013.³ However, as we reported in our 2015 High-Risk update, the data behind these results were unreliable, resulting in a potential overstatement of the progress made to date in reducing the federal government's real property footprint. Specifically, we examined data from four of the six agencies claiming the largest reductions in the first year of implementation of the Freeze the Footprint policy and found that the actual space reductions at all four were overstated.</p> <ul style="list-style-type: none"> • At least one of the two largest reported space reductions for each of the four selected agencies was either overstated or did not represent a reduction in square footage at all. • Some of the largest reported space reductions were due simply to the timing of the fiscal year 2012 baseline for reporting. • Some reported space reductions represented data errors or re-measurements of space, not actual reductions. • Some properties credited as having been disposed of by agencies were simply returned to GSA and remained part of the federal inventory. <p>Further, we also found in our 2015 High-Risk update that according to agency officials, some of the space reductions achieved in the first year of the Freeze the Footprint policy were the result of efforts underway before the policy began. Although not directly attributable to the Freeze the Footprint policy, such reductions did represent progress in reducing</p>

³OMB reported a reduction of 10.2 million square feet of space in the first year of Freeze the Footprint reporting.

Related GAO Reports

Costly Leasing

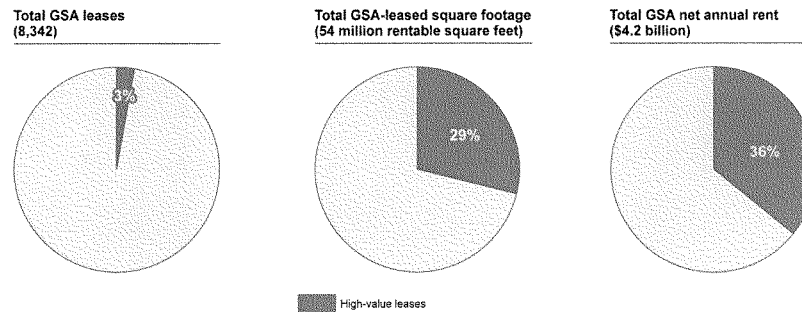
excess and underutilized space. In addition, federal officials noted that the policy served as an incentive to reduce office and warehouse space going forward.

The federal government continues to rely heavily on leasing of properties where it would be more cost effective in the long run for the federal government to own. In our February 2015 High-Risk update, we reported that the federal government has taken steps to limit the federal real property footprint by trying to consolidate high-value leases and smaller leases as they expire, moving some high-value leases into government-owned space, and helping agencies use space more efficiently.⁴ However, we also reported that GSA lacked an action plan and transparent data to demonstrate progress in achieving this goal. In 2013, we found that high-value leases accounted for over one-third of GSA's annual rent paid to private sector landlords and more than a quarter of the total lease square feet while representing just 3 percent of GSA leases (See Figure 1).⁵ GSA, however, has not yet determined which of those leases would be the best candidates for ownership investments. We made recommendations in this 2013 report that we will discuss later in this statement.

⁴GAO, *High-Risk Series: An Update*, GAO-15-290 (Washington, D.C.: February 2015).

⁵GAO, *Federal Real Property: Greater Transparency and Strategic Focus Needed for High-Value GSA Leases*, GAO-13-744 (Washington, D.C.: September 2013).

Figure 1: Percentage of High-Value Leases in GSA's Leased Real Property Portfolio, by Number, Size and Cost, as of November 2012



Source: GAO analysis of General Services Administration (GSA) data. | GAO-15-688T

Data reliability

Despite the demonstrated leadership interest in improving real property data, the federal government continues to face challenges with the accuracy and consistency of the FRPP. Consistent and accurate data are necessary in order for GSA and agency managers to effectively manage real property. In 2012 we reported that FRPP data did not consistently describe excess and underutilized federal real properties accurately.⁶ While the government has taken some steps to improve FRPP, additional improvements are needed. Specifically, since the 2012 report, we have identified additional areas of weaknesses in FRPP data related to space reductions reported by agencies, maintenance needs, the utilization of warehouse space, and how agencies track structures. For example, in our November 2014 report,⁷ we found that agencies do not apply a consistent definition for warehouse utilization, limiting the data's

⁶GAO, *Federal Real Property: National Strategy and Better Data Needed to Improve Management of Excess and Underutilized Property*, GAO-12-645 (Washington, D.C.: June 2012).

⁷GAO, *Federal Real Property: Strategic Focus Needed to Help Manage Vast and Diverse Warehouse Portfolio*, GAO-15-41 (Washington, D.C.: November 2014).

Related GAO Reports

usefulness. We made recommendations in this report that we will discuss later in this statement.

Implementing GAO Recommendations and Proposed Legislation Could Help Overcome Challenges

We believe that the path forward to better management of federal real property is comprised of three important steps. First, the implementation of OMB's new National Strategy and the related efforts that I have already discussed are critical. Second, our existing recommendations related to real property management should be implemented. Finally, legislation could help address some of the challenges, such as the property disposal process and competing stakeholder interests.

GAO Recommendations

Sustained progress is needed to address the conditions and persistent challenges that make federal real property management High Risk. Although multiple administrations have committed to a more strategic approach toward managing real property, their efforts have not yet fully addressed the underlying challenges that we have identified. In recent years, we have made a number of recommendations to GSA that, if implemented, would improve the management and reduce the costs of real property across the federal government. Several of our priority recommendations that have not yet been fully implemented include:

- In a June 2012 report,⁸ we recommended that GSA take four specific steps to make the FRPP database a better decision-making tool. First, we recommended that GSA should take steps to ensure that all data collection requirements are clearly defined and that data reported are consistent across agencies. Second, we recommended that GSA should design and utilize performance measures to assess the extent to which the federal government makes efficient and economical use of its real property assets. Third, we recommended that GSA could reduce the data collection burden on federal agencies by limiting the number of measures to those that are deemed essential and included in FRPP. Finally, we recommended that GSA should report on the data it collects. GSA agreed with our recommendations and is implementing measures for the fiscal year 2015 FRPP reporting cycle

⁸GAO-12-645.

Related GAO Reports

aimed at improving its reliability and usefulness. This effort continues to be a work in progress.

- In July 2012, we recommended that GSA develop a 5-year capital plan to help ensure that long-term goals are fully considered and documented when making decisions to fund capital projects.⁹ We stated that, to enhance transparency, allow for more informed decision making related to GSA's real property priorities, and make a stronger case for its capital investment priorities, GSA should develop and publish a comprehensive 5-year capital plan. Although GSA agreed with this recommendation, officials told us that the unstable budget environment of recent years has limited the agency's ability to develop such a plan.
- In a September 2013 report, we recommended that GSA articulate a better case for increasing federal investments in real property ownership when it is more cost effective than leasing.¹⁰ Specifically, we recommended that GSA should develop and use clear criteria to rank and prioritize potential long-term ownership solutions for current high-value leases among other capital investments and use this ranking to create a long-term, cross-agency strategy that facilitates the prioritization of targeted ownership investments. GSA agreed with this recommendation and we believe could use the newly issued real property strategy as a tool for implementing the actions needed.
- In November 2014, we recommended that GSA develop a clear strategy to manage the federal government's warehouse portfolio, including developing and disseminating warehouse management guidance, promoting lessons learned and best practices, and leading agencies as they assess their warehouse portfolios.¹¹ GSA agreed with the recommendation and is developing property guidance and research on best practices in warehouse and inventory management.

We will continue to monitor GSA's actions to implement these and our other real property recommendations.

⁹GAO, *Federal Buildings Fund: Improved Transparency and Long-term Plan Needed to Clarify Capital Funding Priorities*, GAO-12-646 (Washington, D.C.: July 2012).

¹⁰GAO-13-744.

¹¹GAO-15-41.

Legislation

Since 2011, there have been several real property reform bills introduced in Congress. However, none have been enacted. One of the bills, the Real Property Asset Management Reform Act, would have codified the FRPC and provided for an expedited disposal process for surplus property.¹² Additionally, homelessness assistance providers would have been eligible for financial grants to purchase property to provide services. Another bill, the Civilian Property Realignment Act (CPRA), provided a framework for disposing and consolidating civilian real property, and potentially reducing the need for costly leasing.¹³ In addition, CPRA would have addressed some of the underlying challenges facing the disposal of unneeded property, such as competing stakeholder influences. In 2011, we testified that CPRA could improve real property management by establishing an independent board to streamline the disposal process and group all disposal and consolidation recommendations into one proposal for Congress to consider in its entirety. The bill did not explicitly address the government's overreliance on leasing, but could have potentially reduced leasing through board recommendations for consolidating operations where appropriate. Initially proposed by the Administration in 2011, the bill was subsequently introduced in both houses of Congress. It passed the House of Representatives in 2012, but was not enacted.

We have also made legislative suggestions to Congress as part of our September 2014 report on Title V of the McKinney-Vento Homeless Assistance Act.¹⁴ We found that, since its inception in 1987, the Title V homelessness-assistance program has transferred 122 properties of the 40,000 screened federal properties to homeless service providers. In many cases, properties were not practical for homeless service providers to use, especially considering that nearly 80 percent of screened buildings required moving them from their location. However, the law requires agencies to report all excess, surplus, underutilized, and unutilized properties, including the ones that must be moved from their current location. As a result, we suggested Congress revisit the types of properties that must be screened for potential use to assist the homeless. A submitted amendment to the National Defense Authorization Act for Fiscal Year 2016 would exempt some excess, underutilized, or unutilized

¹²S. 1398, 113th Cong. (2013).

¹³H.R. 1734, 112th Cong. (2011).

¹⁴GAO, *Federal Real Property: More Useful Information to Providers Could Improve the Homeless Assistance Program*, GAO-14-739 (Washington, D.C.: September 2014).

Related GAO Reports

non-mobile property of the Army that meets specific criteria from the requirements of Title V of the McKinney-Vento Homeless Assistance Act.¹⁵

Chairman Johnson, Ranking Member Carper, and Members of the Committee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

**GAO Contacts and
Staff
Acknowledgments**

For further information regarding this testimony, please contact David Wise at (202) 512-2834 or wised@gao.gov. In addition, contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who made key contributions to this testimony are Keith Cunningham (Assistant Director), Alex Lawrence, Mary Pitts, Crystal Wesco, and Chad Williams.

¹⁵S. Arndt. 1769. As of June 11, 2015, this amendment had not been approved. As written, this authority would expire in September 2017.

**Post-Hearing Questions for the Record
Submitted to The Honorable David Mader
From Senator Ben Sasse**

**“Federal Real Property Reform: How Cutting Red Tape and Better Management Could
Achieve Billions in Savings”**

I would appreciate your help in better understanding the extent to which the federal government owns residential properties, the manner in which the properties are acquired and the manner in which they are disposed.

According to the Department of Housing and Urban Development’s (HUD) website, eight federal agencies currently own and sell residential properties, excluding the Department of Defense – including both single-family homes and multi-family properties.¹

In my own state of Nebraska, I was alerted to a situation involving a property in the City of Scottsbluff, which may have been acquired by HUD by way of a federally-insured reverse mortgage. The property – W. 35th Avenue, Scottsbluff, NE – has reportedly been vacant since its owner died nearly three years ago.

For the last three years, the house has not been maintained, becoming overgrown and inhabited by animals. However, according to HUDHomeStore.com, HUD currently owns 29 residential properties in Nebraska alone, though the above property is not currently listed for sale. This despite one of my constituents speaking with a HUD employee in Nebraska, who confirmed the home belonged to the department.

I am interested to learn not only about this property, but also about other federally-owned residential properties around the country.

1. How many non-defense related residential properties does the federal government currently own, broken down by single-family and multi-family properties?

Non-defense agencies reported 18,562 family housing assets to the Federal Real Property Profile (FRPP) system in FY 2014. Family Housing building assets are defined as buildings primarily used as dwellings for families/dependents. Includes apartment houses, single houses, row houses, public housing, military personnel housing, Federal employee housing, and housing for institutional personnel².

In addition, agencies reported 3,034 dormitories/barracks assets to the FRPP system in FY 2014. Dormitories/Barracks building assets are defined as buildings primarily used as dwellings for housing individuals (without families/dependents).

¹ http://portal.hud.gov/hudportal/HUD?src=/topics/homes_for_sale

² Federal Real Property Council 2014 Guidance for Real Property Inventory Reporting

2. How many non-defense related federal agencies currently hold title to residential properties?

A total of 17 non-defense Federal agencies reported family housing and/or dormitories/barracks assets to the FRPP system in FY 2014. Those agencies include:

Agency	Family Housing	Dormitories/Barracks
Agriculture	X	X
American Battle Monuments Commission	X	
Broadcasting Board of Governors	X	X
Commerce	X	
Energy	X	X
General Services Administration		X
Health and Human Services	X	X
Homeland Security	X	X
Interior	X	X
Justice	X	X
Labor	X	X
National Aeronautics and Space Administration	X	
National Science Foundation	X	X
State	X	X
Transportation	X	X
U.S. Agency for International Development	X	
Veterans Affairs	X	X

3. Does HUD currently own W. 35th Avenue, Scottsbluff, NE? Has it ever?

Although the subject property secured an FHA-insured reverse mortgage loan, HUD does not own the property because the foreclosure has not been completed by the U.S. Department of Justice. Therefore, at this time, HUD is merely serving in the capacity of the mortgage servicer of the loan, secured by the subject property.

4. If so, how did HUD come to acquire the property?

HUD is the servicer of this mortgage, but the Secretary is not on the title. The Department of Justice is in the process of foreclosing on this property on behalf of HUD.

5. Is HUD paying property taxes on this home?

HUD is in the process of determining the outstanding property taxes on this property to ensure that such are paid.

- 6. Is HUD paying a property manager or a mortgage servicer in relation to this property? If so, who?**

HUD has assigned this property to its contractor, Cityside Management Corporation, to secure and maintain this property.

- 7. How many non-defense related residential properties does the federal government own that were previously associated with federally-insured reverse mortgages?**

As of July 13, 2015, HUD had 2,376 custodial properties (which once secured FHA-insured reverse mortgages) in its inventory.

**Post-Hearing Questions for the Record
Submitted to The Honorable David Mader
From Senator Thomas R. Carper**

**“Federal Real Property Reform: How Cutting Red Tape and Better Management Could
Achieve Billions in Savings”**

June 16, 2015

- 1. The National Strategic Agenda and Reduce the Footprint, if effectively implemented, could greatly improve agency property management and reduce the inventory of excess or unutilized properties. Please clearly explain OMB and GSA’s roles relating to implementation of these initiatives and the opportunities and challenges that you foresee for OMB, GSA, and agencies as these policies are implemented over the next few years.**
- 2. What role should Congress play with regard to the National Strategy and Reduce the Footprint? How can we ensure that agencies are appropriately implementing these policies? How can we ensure that successes found through initiatives such as Freeze the Footprint are sustained and built upon not just for the remainder of the Obama Administration, but also for the next Administration?**
- 3. During our hearing you were asked to identify agencies that are the most effective at unloading excess real property. You noted that the Interior Department, the Agriculture Department, Forest Service and Coast Guard are examples of agencies with institutional processes that have shown successful ways to manage real property. How can we replicate best practices found at these agencies government-wide? Are the examples of best practices found at these agencies discussed and shared at monthly meetings of the Federal Real Property Council?**

OMB issued the National Strategy for Real Property (Strategy) and the Reduce the Footprint (RTF) policy on March 25, 2015. These documents formalize the Administration’s shift in focus from simply freezing growth in individual agency portfolios to actively reducing the size of the real property portfolio Government-wide. The RTF policy requires that agencies develop and implement a five year real property efficiency plan (Plan) that sets annual reduction targets for domestic office, warehouse, and all other owned building types. It also requires agencies to issue an office space design standard by March 25, 2016, to ensure that office space acquired to replace, consolidate, or relocate existing office operations — when cost effective — contributes to the reduction of the Government’s portfolio over time.

OMB and GSA are jointly responsible for reviewing agencies' five-year real property plans to assess whether they fully support implementation of the Strategy, to determine the adequacy of annual reduction targets, and to ensure agencies have sufficient management controls in place to ensure their efficacy and support for continued reduction to the real property portfolio. OMB is further responsible for ongoing engagement with agencies to help them set strategic objectives, implement management structures, and address their real property management challenges. The agency Plans will support the strategic dialogue conducted through the annual FedStat meetings. GSA is responsible for reviewing agencies' real property portfolios, as they are documented in the Federal Real Property Profile, to help identify, prioritize, and execute real property disposal and consolidation opportunities over the Plans' five year planning horizon. GSA's expertise in space management can help guide agencies' development of their office space design standard and verify the standard's implementation.

OMB and GSA will jointly assess agencies' progress toward their portfolio reduction targets. OMB will also ask agencies to describe how their annual budget submissions support their strategy to achieve the specified targets, and GSA will work with agencies to identify possible additional opportunities to reduce agency portfolios. OMB will work with agencies, including senior management, to assess progress annually.

From fiscal years 2011-2015, Congress has appropriated to the FBF a total of \$5.3 billion less than the level of rent collections. This shortfall has a significant impact on the GSA capital program and its ability to construct owned facilities to facilitate exiting from leases. Agencies that own real property also have very limited resources for their real property programs and often forgo opportunities to reduce the size and cost of their portfolios because the required resources are absent.

There are three primary challenges to implementation of the Strategy and RTF. The first challenge is resources: reduced enacted annual appropriations to the GSA Federal Buildings Fund (FBF) for construction and renovation projects has presented a government-wide management challenge since FY 2011 and limited our ability to make the portfolio more efficient. From fiscal years 2011-2015, Congress has appropriated to the FBF a total of \$5.3 billion less than the anticipated level of rent collections. This shortfall has a significant impact on the GSA capital program's ability to construct and renovate owned facilities to facilitate exiting from leases. Over the same time period, agencies that own real property also have had very limited resources for their real property programs and often forgo opportunities to reduce the size and cost of their portfolios because the required resources are absent. To address this challenge, the President's FY 2016 budget proposed \$2.4 billion in real property funding over the FY 2015 enacted level, in support of critical construction and renovation projects as well as opportunities for consolidation and investment projects in the Federal Buildings

inventory to continue making progress and reduce our real property footprint and achieve cost savings.

The second challenge is shifting agency management culture to a more active management posture, one that prioritizes real property as a critical mission delivery asset that must be managed for efficiency and cost control. The Administration's emphasis on real property is improving agency internal coordination and review processes, including across various disciplines such as facilities and finance, to examine real property assets for opportunities to divest of costly underperforming assets while investing in mission critical assets. Historically, agencies have not applied a cross-discipline approach and that has worked against the development of active management and a forward leaning management posture.

Finally, the existing regulatory framework increases the cost, time, and amount of agency resources required to execute disposals. The disincentives of the current framework can be ameliorated through legislative relief from some elements of McKinney-Vento to streamline and accelerate the current property review and public notification process. Expanding existing GSA authority for disposals under Title 40 would provide a mechanism for GSA to help agencies execute the disposal pre-work that is required prior to declaring a property excess would also provide significant improvement to the current regulatory framework. GSA already has the authority to support disposal costs, in coordination with the disposing agency, after submission of the report of excess.

Congress can facilitate full implementation of the Strategy and RTF policy by considering the appropriate resource level needed to support the ambitious portfolio reduction objective OMB is pursuing through the Strategy and RTF policy. Congress and OMB can also continue to work together to identify legislative options for making the regulatory structure more efficient to increase the number of disposal projects executed.

Sharing best management practices among the agencies is the focus of the Federal Real Property Council (FRPC) meetings. During the last year in particular, the FRPC meetings have featured agency presentation on implementing consolidation projects, relocating large agency operations to new, more efficient locations, meeting challenges to dispose of unneeded properties, and assessing facility condition to guide future decisions. Agencies that exhibit best practices often have pilot programs or permanent statutory authority that is unavailable to most agencies. Those agencies have developed expertise in and best practices for the entire disposal and asset sale process by learning from experience. Modifying the existing regulatory structure to make it more efficient will support the government's ability to foster the adoption of best practices among all agencies. It is also important to understand that while best management practices are actively shared, not all dispositions are of equal scope, complexity and costs. The Department of Energy for example is responsible for the disposition of thousands of

facilities such as, but not limited to, nuclear reactors, chemical processing plants and laboratories contaminated with radioactive and chemical elements. These types of facilities cannot simply be demolished or reutilized, but must be decontaminated, deactivated, and decommissioned in order to be safely demolished. These activities require billions of dollars.¹

¹ The data used for questions 1 and 2 are based upon worldwide data pulled from the FY14 Federal Real Property Profile database.

**Post-Hearing Questions for the Record
Submitted to Norman Dong
From Senator Thomas R. Carper**

**“Federal Real Property Reform: How Cutting Red Tape and Better Management Could
Achieve Billions in Savings”**

June 16, 2015

1. As you know the Administration has outlined an ambitious new “National Strategic Agenda” to improve the management of federal real property. The agenda outlines a series of steps that agencies must take to measure and reduce their real property holdings. GSA plays a key role in the success of this initiative through data management and analytics to identify real property efficiency opportunities. GSA is also required to work with the Office of Management and Budget to review agency real property efficiency plans. Please elaborate on how GSA will work with and oversee agencies to ensure that they are improving the management of their real property through identifying and then executing on efficiency opportunities.

Under the Reduce the Footprint policy issued in March 2015, agencies are required to submit 5-year real property efficiency plans detailing annual square-foot reduction targets for federal domestic buildings, and adopt space design standards by March 25, 2016. The initial drafts of the plans have been submitted. GSA, in collaboration with OMB, will review each agency’s draft plan and provide feedback to each agency. GSA will review draft agency plans to ensure they meet the minimum requirements of the Reduce the Footprint policy memorandum, including the specification of square footage reduction and disposal targets, and will also use the Federal Real Property Profile (FRPP), GSA space assignment data and agency benchmarking data to help agencies identify additional opportunities for colocations and consolidations; space reductions where utilization can be improved; and disposals, exchanges and outleases. This review process will help to ensure that agency reduction and disposal targets included in final plans are both aggressive and realistic. This will result in a pipeline of government-wide opportunities that will position the Administration for success in implementing its Reduce the Footprint policy.

GSA is also working to improve the FRPP, and begin transforming it from a static database into a management tool, which provides agencies with greater analytic capability to identify disposal and consolidation opportunities. Agencies will have the ability to directly access these tools, which will include summary reports designed to assist agencies in their decision making in support of the National Strategy. For example, these reports will highlight leases expiring within the next five years, as well as underutilized and excess properties for potential disposal opportunities.

GSA is also creating a new Lease Consolidation Tool on the new platform, which agencies will be able to access to:

- Quickly identify owned and leased offices in a given geographic radius that are underutilized;
 - Identify potential candidates worthy of further analysis for relocation and consolidation projects;
 - Estimate general lease cost avoidance and renovation costs.
2. What can Congress do to ensure that initiatives such as the National Strategic Agenda and Reduce the footprint are successful? How can we incentivize agencies to improve the management of their real property holdings?

To improve management of federal property and reduce the footprint, Congress could pursue legislation that would include: (1) authorizing agencies to retain proceeds from the disposal of real property; (2) streamlining some steps in the disposal process, and particularly assessing ways to focus the screening required under McKinney-Vento; (3) addressing the upfront costs of property disposal; and (4) providing all agencies with clear authority to co-locate with other agencies and transfer and retain funds to allow for full cost recovery for the use of the space, as well as the associated goods and services being provided.

Federal entities that currently have the authority to retain proceeds have demonstrated much more progress with surplus property disposals, relative to other agencies that cannot retain proceeds. Coast Guard property disposals accounted for 90 percent of the Department of Homeland Security (DHS) properties disposed. Similarly, Forest Service property disposals accounted for 94 percent of U.S. Department of Agriculture (USDA) properties disposed. Both the Coast Guard and the Forest Service have authority to retain proceeds, whereas other entities within DHS and USDA do not have this authority.

The federal property disposal process can take some time in part due to various statutory requirements including those related to environmental cleanup, historical preservation, and homeless and public benefit conveyance screenings. These requirements have important objectives that should not be minimized. However, streamlining the process could be done in a way that would continue to deliver those beneficial outcomes. For example, the GAO recommended changing the scope of properties reported to HUD that may be less suitable for homeless assistance use.

To dispose of unneeded properties, agencies can face considerable up-front costs associated with the disposal process. When these upfront costs are greater than the annual savings of avoided annual maintenance costs, the agency may well decide to hold the property due to budget constraints, even though over the long-term the cost savings to

the tax payer would be greater if agencies were provided the necessary up-front funding. Additionally, as GSA works with agencies to consolidate federal workspaces, funding is required for moving costs, space reconfiguration and alterations, and system upgrades needed as part of the agency relocations. Congress has provided line-item funding for consolidation projects that has resulted in dozens of projects that will reduce the footprint by hundreds of thousands of square feet and reduce annual leasing costs by tens of millions of dollars. Even more could be accomplished if Congress appropriated funds from the Federal Buildings Fund at the anticipated level of the rent collections GSA collects into the Federal Buildings Fund.

3. One of the implementation steps outlined in the National Strategic Agenda includes the certification and monitoring of Federal Real Property Profile (FRPP) data. I understand that efforts are underway at GSA to improve the reliability and usefulness of this data. Please explain what key components are needed to improve the reliability and usefulness of FRPP data. Does GSA have plans to share this data with agencies so that co-location opportunities can be identified and acted upon?

GSA is improving the reliability and usefulness of the FRPP in a number of ways. For the FY2014 FRPP reporting cycle, GSA collaborated with OMB, to implement the following:

- Data Validation Tools: Automated data validation tools were added to flag potential data errors before the December 15 FRPP data submission deadline. GSA also worked with agencies to improve the accuracy of the geospatial-related data elements in the FRPP to better identify properties.
- Senior Real Property Certification: The Federal Real Property Council required Agency Senior Real Property Officers to certify the data submitted to the FRPP and describe their agency's efforts to improve the accuracy and completeness of the data, elevating the importance of the data submittals.
- FRPP Data Dictionary Clarifications: Data definitions were clarified and additional data elements were added to increase data transparency.

In FY 2015, using FRPP data and GSA occupancy agreement data, GSA also developed for each agency a report highlighting expiring leases, the utilization of agency assets, and potential cost avoidance opportunities from disposals of underutilized and inactive assets.

GSA will implement additional improvements for the FY 2015 reporting cycle. Such improvements will include further data definition clarifications, a requirement that agency Chief Financial Officers certify data in addition to Agency Senior Real Property Officers, additional data validation tools, and a more robust version of the real property management reports issued to agencies in FY2014.

In addition, GSA is transforming the FRPP from a static database into a dynamic database tool by migrating the database to a new information technology platform.

The new platform will include a suite of business intelligence tools that provide analytic capabilities designed to support the analysis of large data sets. Once the new system is implemented, agencies will have the ability to directly access a set of real property management tools that include summary reports highlighting expiring leases as well as underutilized and excess properties for potential disposal opportunities. Agencies will also have access to a new Lease Consolidation Tool that will help them to quickly identify owned and leased offices in a given geographic radius that are underutilized and identify potential candidates for relocation and consolidation projects. GSA will also work with our partner federal agencies using these tools to engage agencies in discussions about their expiring leases, the utilization of agency assets, and potential cost avoidance opportunities from disposals of underutilized and inactive assets. These agency interactions and more readily accessible tools that use the FRPP data should also encourage agencies to improve the quality of the data they submit to the FRPP.

4. I understand that GSA has taken some creative steps to manage federal real property, which if executed correctly, could mean a smart investment for taxpayers in the long run. What spurred some of the innovative ways GSA has approached property in the last several years, and what tools does the agency need to further its progress?

Constrained funding, along with shifts in real estate market conditions, changing agency requirements, and transformed work arrangements and workspaces have motivated GSA to explore innovative federal property solutions. GSA has been pursuing use of flexible authorities to reposition properties that no longer effectively serve a federal need and which can have significant upkeep and maintenance costs. At the same time, many of these facilities are valuable for other uses, especially when they are located in prime real estate locations. By offering these properties to the development community in exchange for construction services or replacement properties, GSA can provide better space so that agencies can better focus on their missions without requiring additional funding.

For example, the Volpe National Transportation Systems Center in Cambridge, Massachusetts is located on 14 acres in a vibrant high-technology hub of the city. The six buildings on the property were constructed nearly 50 years ago, and no longer adequately serve the mission of this facility. On July 16, 2015, GSA issued a Request for Qualifications, seeking respondents interested in potentially entering into an exchange agreement with GSA, which will require the selected respondent to design and construct a state-of-the art facility for the Volpe Center. It is to be located on a portion of the property to be retained by the federal government. In exchange, the rest of the property will be conveyed to the selected respondent after construction of the new facility. This

exchange is expected to provide better space for Federal transportation research, as well as economic development opportunities and tax revenues for the local community.

**Post-Hearing Questions for the Record
Submitted to David Wise
From Senator Thomas R. Carper**

**“Federal Real Property Reform: How Cutting Red Tape and Better Management Could
Achieve Billions in Savings”**

June 16, 2015

- 1. As you know, the Obama Administration recently announced the National Strategy for the Efficient Use of Real Property and the Reduce the Footprint policies as measures intended to improve the management of federal real property. What actions should Congress take as these policies are developed and implemented over the next five years to ensure they are successful? Are there particular aspects of these policies that should garner closer scrutiny?**

Answer: We continue to monitor the implementation of the Administration’s National Strategy for the Efficient Use of Real Property and the Reduce the Footprint policies and have met with Office of Management and Budget and the General Services Administration (GSA) officials to discuss them. Continued congressional oversight of these efforts in the form of hearings and inquiries will help ensure that the Administration follows through with implementation.

Since 2011, there have been several real property reform bills introduced in Congress that could help address certain issues such as competing stakeholder influences and the lengthy disposal process. For example, legislative reforms could apply to the McKinney-Vento Homeless Assistance Act, as amended, which introduced a process through which excess federal property is screened for potential transfer for use by homeless services providers. In 2014, GAO found that very few properties had been transferred to homeless service providers since the inception of the associated program and that many of the properties were not practical for homeless service providers to use. GAO suggested that Congress consider revisiting the property screening requirements under the Act and an amendment to the National Defense Authorization Act for Fiscal Year 2016 was submitted that would have exempted some excess, underutilized, or unutilized non-mobile property of the Army from the screening requirements of the Act. However, none of the reform bills passed Congress.

As the Administration implements its strategy and related efforts, it is important to note the importance of reliable real property data in guiding decisions and assessing the effectiveness of efforts. Despite the demonstrated leadership interest in improving real property data, the federal government continues to face challenges with the accuracy and consistency of the Federal Real Property Profile (FRPP)—the governmentwide real property database. In 2012 we reported that FRPP data did not consistently describe excess and underutilized federal real properties accurately. While the government has

taken some steps to improve FRPP, additional improvements are needed. For example, in our 2015 High-Risk update, we found that the FRPP data behind first-year results from the Administration's initial Freeze the Footprint policy were unreliable, resulting in a potential overstatement of the progress made to date in reducing the federal government's real property footprint.

2. **Similarly, the administration has pledged to improve the reliability and usefulness of the Federal Real Property Profile. What are the key steps that the Administration and Congress should take to improve the reliability and usefulness of this data? Do you believe that allowing the public and agencies to access this data would allow for enhanced opportunities to co-locate federal space?**

Answer: In a June 2012 report, we recommended that GSA, which administers the database, take four specific steps to make the FRPP database a better decision-making tool. First, we recommend that GSA should take steps to ensure that all data collection requirements are clearly defined and that the data reported are consistent across agencies. Second, we recommended that GSA should design and utilize performance measures to assess the extent to which the federal government makes efficient and economical use of its real property assets. Third, we recommended that GSA could reduce the data collection burden on federal agencies by limiting the number of measures to those that are deemed essential and included in FRPP. Finally, we recommended that GSA should report on the data it collects. GSA is taking steps to improve FRPP but this effort remains a work in progress.

There may also be benefits to wider access to real property data. In 2012, we found that one of the factors limiting the effective co-location of federal agencies in federal space were challenges of identifying co-location opportunities because of limitations with available data.